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Posouzení investičních příležitostí zahraničních investorů v Číně

Assessment of Foreign Investors Opportunities in China

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Content

1 Introduction 6

2 Characteristics of Foreign Investments 8

2.1 The Basic Forms of Foreign Investment 8

2.1.1 Joint Venture 8

2.1.2 Cooperative Enterprise 9

2.1.3 Wholly Foreign-owned Enterprise 9

2.1.4 Foreign Investment Company Limited by Shares (FICLS) 9

2.1.5 Companies with an Investment Nature 10

2.1.6 Cooperative Development 10

2.1.7 Build-Operate-Transfer (BOT) 11

2.2 Characteristics of Venture Capital 11

2.2.1 The Definition of Venture Capital 11

2.2.2 The Characteristics of Venture Capital 13

2.2.3 The Related Subject of Venture Capital 16

2.3 Venture Capital Financing of High-tech Business 18

2.3.1 Inherently Identical to Institutional Arrangements of VC Financing 19

2.3.2 Venture Investment in Equity-based Manner 29

2.3.3 Less Liquidity, Long Cycle, Cyclic Flow Pattern 20

2.4 Four Stages of Enterprises 20

2.4.1 Seed Stage of Enterprise 21

2.4.2 Start-up Stage of Enterprise 21

2.4.3 Growing Stage of Enterprise 22

2.4.4 Mature Stage of the Enterprise 22

2.5 Investment Strategies Taken by Foreign Investors 22

2.5.1 Joint Investments 22

2.5.2 Segmented Investments 23

2.5.3 Matching Investments 23

2.5.4 Portfolio Investments 23

3 Current Situation of Foreign Investors in China 24

3.1 Development Stages of Foreign Investors in China 24

3.1.1 Start-up Phase in 1979-1986 24

3.1.2 The Phase of Steadily Increasing in 1987-1991 25

3.1.3 The Phase of Explosive Growth in 1992-1995 26

3.1.4 The Phase of Structure Adjustment in 1996-2001 26

3.1.5 A Mature and Stable Stage Since 2001 26

3.2 Changes in the Investment Instructure 26

3.2.1 Investment District in the Central and Western Regions 27

3.2.2 Larger Investment Scale 27

3.2.3 Services Trading as the Main Commercial Areas..28

3.3 Reason for FDI to Invest in China 30

3.3.1 The Government Policy Guidance 30

3.3.2 Foreign Pursuit of Profits 32

3.3.3 The obstruction of domestic capital flow 32

3.3.4 The Effectiveness of Financial Markets 33

3.4 Policies of China's Making Use of Foreign Direct Investment 33

3.4.1 Initiative and Non-institutional 34

3.4.2 The Conflict between China's Use of Foreign Direct Investment Policies and the Relevant Provisions of the WTO 35

3.4.3 Preferential Policies with Restrictions, the Lack of Neutral Policy 36

3.5 Current Situation of Venture Investment in China 37

3.5.1 The Current Situation of China's Entrepreneurial VC Fund Development in 2013......37

3.5.2 Characteristics of China’s Venture Capital Development 39

3.5.3 Industrial Capital Promoting the Development of Venture Investment Industry 42

3.5.4 Situation of China Venture Capital Fund Collecting in 2014 43

4 Venture Capital in China 49

4.1 The Four Stages of High-tech Enterprises in China – A Case of Alibaba 49

4.1.1 Seed Stage of Alibaba ……………………………………………………………49
4.1.2 Start-up Stage of Alibaba …………………………………………………………50
4.1.3 Growing Stage of Alibaba ………………………………………………………......50
4.1.4 Mature Stage of Alibaba …………………………………………………………51
4.2 The Reason of SOFTBANK Invested in Alibaba ………………………………………51
4.2.1 The Founder of SOFTBANK ……………………………………………….......51
4.2.2 Rate of Return up to 7100% on Investment in Alibaba ……………………….........52
4.2.3 The Important Factors to SOFTBANK ………………………………………………52
4.3 Alibaba's Growth Strategy with a High Degree of Consistency with Investors ………54
4.4 Financial Situation after Alibaba’s Listing ………………………………………………55
5 **The Importance of Foreign Investors to Chinese Market** ………………………........60
5.1 Importance of Foreign Investors — from Alibaba’s Case ……………………………60
5.2 Influence of Foreign Investments in Chinese Market …………………………………62
5.2.1 Advantages of Foreign Investment to Chinese Economic Development ……………62
5.2.2Disadvantages of Foreign Investment to Chinese Economic Development …………64
5.3 The Most Important Factor to Venture Investment ……………………………….…...66
5.3.1 Finding Projects with the Investment Value ………………………………………...66
5.3.2 CEO ………………………………………………………………………………67
5.3.3 Business Model ……………………………………………………………….....67
5.3.4 Team ………………………………………………………………………………68
5.3.5 Technology ………………………………………………………………………….68
5.3.6 Product Ideas/Concepts …………………………………………………………68
6 Conclusion …………………………………………………………………………70
Bibliography ……………………………………………………………………........71
List of Abbreviations ………………………………………………………………...73
Declaration of Utilization of Results from the Bachelor Thesis
List of Annexes
Annexes

1 Introduction

The World Investment Report 2015 states that foreign investments play an important role in the globalization process, which bring the opportunities and challenges to an increasing number of countries. National policy makers, particularly in developing countries, should concern how to attract more foreign capitals, as well as how to gain maximal profits from the overseas investments. China is a developing country, in order to accelerate its economic development, it has been working to attract foreign capital to promote the construction of China, which has made great achievements in practice. Nowadays, China has been the largest recipient of foreign direct investment. However, due to the background of different historical and cultural development, development stages and features of foreign direct investment in China are different from those in foreign countries. Meanwhile, in 2014, nearly half of all venture capital was allocated to high-tech industry, which reflects the much attention from foreign investors to high-tech industry.

The main objective of this thesis is to assess the situation of foreign investors in Chinese market, and take further analysis of their importance through typical successful portfolio in high-tech industry.

This thesis consists of five chapters. The first one is an introduction. In the second chapter, basic concepts and general features on foreign investment and venture investment are presented. These subjects are helpful for the understanding of the characteristics, types, strategies and participants of investing. This part provides the basic knowledge and gives a universal idea of the investment.

In the third chapter, it further states the current situations of foreign investment in China. First of all, there is a simple description of the developments of foreign investment in China. During this period, there were some changes of foreign investment in investment structure, which formed a new structure. Next is to explain why China attracts large foreign direct investment, and state the Chinese Government's positive policy on the foreign direct investment. Finally, it analyzes the current situation of China's venture capital market with many statistics, as the market background of the fourth chapter.

Chapter four is based on *Alibaba* as a typical successful venture case. There represents an empirical analysis of the opportunities and strategies of foreign investors. As well as the description of the latest statistics on Alibaba to assess the influence of foreign investment leading to long-term success. The last part is a summary of the importance and impacts of foreign investment to the Chinese market, where there are not only advantages but also some disadvantages. Finally, there is a special analysis of some crucial factors which foreign investors may be more interested in.

2 Characteristics of Foreign Investments

Before studying foreign investment, the rudimentary characteristics of foreign investment should be stated clearly. Because of the difference between each country, there excite noticeable characteristics in foreign investment, such as the different forms of investment, venture capital in China and four stages of enterprises. Especially in high-tech business, it will be motioned in a specific case analysis in Chapter 4.

2.1 The Basic Forms of Foreign Investment

The approaches of absorbing foreign investment generally are divided into direct investment and other investment, and the main form is the direct investment. Thereby, joint venture, cooperative enterprise and wholly foreign-owned enterprise are the main approaches of foreign investments. Other investment methods include the establishment of foreign investment company limited by shares (FICLS), companies with an investment nature, cooperative development, BOT and so on.

2.1.1 Joint Venture

Joint venture, referred to as an equity joint venture. It is the state enterprises that is invested by the foreign companies, enterprises, other economic organizations or individuals and domestic companies, enterprises or other economic organizations in domestic territory. Its characteristics are that both parties need to joint venture, co-operate, share risks and share profits or losses according to their proportion of investment. Their investment will be converted into a certain proportion of investments, and the investment proportion of the foreign joint venturer is generally not less than 25%. Venturer can invest by the tangible asset with the same market price, such as available cash, buildings, plant, machinery, equipment, other materials, industrial property, proprietary technology, the right to the use of a site and so on. Foreign investors will share the profits and other legitimate rights and interests, which can be remitted abroad or be reinvested in the territory. In the way of using foreign direct investment, Sion-foreign joint ventures are the earliest ones with the greatest amount in China. Now, it still has quite proportion in the absorption of foreign capital.

2.1.2 Cooperative Enterprise

Cooperative enterprise also known as contractual joint ventures. They are the state enterprises that is invested or provided cooperative terms by the foreign companies, enterprises, other economic organizations or individuals and domestic companies, enterprises or other economic organizations in domestic territory. The cooperative enterprise should be reached a consensus with consultation by both parties to distribute income, commitments of risk and debt, and property after the expiration of the contract. It is accorded to the conditions they provided, obligations and rights, which will expressly agree in the enterprise. In the cooperative enterprise, foreign investors usually provide all or most of capital, technology, important equipment, and the domestic investors are generally responsible for the right to use of a site, plant, available equipment, facilities, and some of them also provide a certain amount of money. Cooperative enterprise can have a corporate capacity, or may not.

2.1.3 Wholly Foreign-owned Enterprise

A wholly foreign-owned enterprise refers to foreign companies, enterprises, other economic organizations or individuals. All the business capital established in China must be invested by foreign investors in accordance with Chinese law. According to the provisions of the foreign investment enterprise law, setting up enterprises with foreign capital must be beneficial to the development of the national economy, and it should at least meet one following condition: adopting international advanced technology and equipment, or exporting all or most of the products. Foreign organizational form is generally a limited liability company, which is not including foreign enterprises and other branches economic organizations in China.

2.1.4 Foreign Investment Company Limited by Shares (FICLS)

FICLS are the state enterprises that are subscribed a certain percentage of shares with the principle pf equality and mutual benefit by the foreign companies, enterprises, other economic organizations or individuals and domestic companies, enterprises or other economic organizations in domestic territory. All capital of FICLS consists of equal shares, so each shareholder will take responsibilities for the company to the subscription of shares, and the company needs to bear all liabilities for the debts of the company with all property. It is a form of foreign-invested enterprises, applicable national laws and regulations with respect to foreign-invested enterprises.

2.1.5 Companies with an Investment Nature

Companies with an investment nature means it is the company with direct investment by foreign wholly-owned or joint ventures with domestic investors. Its form is a limited liability company. Foreign investors, who apply to establish investment companies, must have good credit standing and considerable economic strength, and have set up a certain number of foreign-funded enterprises in inland, and its registered capital contribution actually has been paid more than $ 30 million. The companies with an investment nature who have been approved by the national government are given more a broader scope of business than the general foreign-investment companies, to encourage multinational companies to launch a series of investment.

At present, companies with an investment nature can invest in industry, agriculture, infrastructure, energy and other areas which are allowed and encouraged by the country. Existing foreign-invested limited liability company can apply for restructuring for companies with an investment nature.

2.1.6 Cooperative Development

The *cooperative development* is the exploration and developed cooperation of offshore and onshore oil and mineral resources, with the venture contracts by domestic companies and foreign companies. It is the most popular economic cooperation way in the field of natural resources in the world, its greatest characteristics are high-risk, high investment, and high yield. Cooperative development is generally divided into three stages, which are exploration, development and production. Compared with the above five ways, cooperative development only has a small proportion.

2.1.7 Build-Operate-Transfer (BOT)

BOT mode means that foreign investors will take a given industrial projects or infrastructure investment projects in the country. They are responsible for construction, operation, maintenance and transfer of charge of the project. Investors can operate facilities within a fixed period of time, and they are allowed to recover the investment, operating cost, maintenance fee and other costs of the project within that period. After the deadline, they can transfer to project to the local government.

In China, the project company in the form of BOT have make businesses in the fields of highways, power plants, sewage treatment. And until now, there have been more than 160 BOT investment companies, and these companies are expanding their investment activities.

2.2 The Characteristics of Venture Capital

Venture capital is the most important part of this thesis (Chapter 4). Knowing the characteristics of venture capital will help to realize the relationship between venture game parties.

2.2.1 The Definition of Venture Capital

According to the definition of National Venture Capital Association of the United States, *VC (venture capital)* is that of professional financiers into the emerging competition in a rapidly growing huge business potential in one of equity capital. Generally, they invest in the field of high technology development with great failure risk, after its success, they will obtain a high capital gain of the business investment. The essence of VC is to obtain the maximum capital appreciation on the base of bearing risks by investing in a series of high risk and high return projects. Though VC in large projects is likely to fail, capitalist still can get huge returns for damaged items and benefits from a few successful projects. The purpose of VC is not possessing and controlling investment shares, but choosing a long-term investment periodically ---transferring the property rights and withdrawing from the enterprise after the invested capital obtained ideal increment, then making other investments.

The following is other different descriptions of VC in the academic circle:

- American economist Douglas Greenwood, editor in chief of *The Encyclopedia of Economics* mentions "VC is prepared to risk investment, it is ready for a potential for rapid growth of new companies or new product development to withstand the initial risk investments, but not for purchasing the company or product" (Frank N. Magill, 1997);
- American scholar Amrer defines VC from the point of view of the capital owners. VC is investing in enterprises of high risks, so those investments may be gone or have probably hundreds-of-times to return. It is a long-period investment with the way of equity participation in investment. The object of investment, in addition to having high risk, is often a new rapid growth of a new business. VC is expected to obtain huge profits (Jianping Xie, 2004);
- American scholar Riggs doesn't think VC intends to hold the object of investment for a long time. And once the businesses we invested have made profits, they will be sold immediately to gain the proceeds that can be invest again (Jianping Xie, 2004);
- British scholar Gonene believes that VC is a kind of looking for high-profit, high-risk investment opportunities and the capital with potential development (Jianping Xie, 2004);
- American scholar Rind thinks it has been the VC behavior when the following investment activities are carried out by the investor: creating a new business or saving and expanding the existed businesses; investing in high-risk and high-profit fields; completing a series of detailed analysis and investigation work before investing; using various investment tools in different investment activities; having long-term investments; participating in investment management directly and providing more additional value for the investment plan; attempting to maximize the capital, and venture capitalists gaining from the success of the investment business（Charles William, 2008）.

In 1983, 24 industrial developed countries of OECD held the second investment conferences that stated all investments in the production and operation of technology intensive innovative products or services based on high technology and knowledge could be regarded as VC.

The Encyclopedia of Business Management in America writes," It is called the risk investment that the investment behavior of industrial and commercial enterprises which doesn't obtain the capitals from the traditional sources, such as the stock market, the bank or the similar bank." （Charles William,2008）

And *in our country*, there are many translations of "Venture Capital". Some scholars think that due to the defects of the economic system and the market system, it increases the risk of investment and it is necessary to emphasize the risk of investment in the risk management mechanism. Another part of the scholars argued that when a capital is bearing high risk into start-ups and providing management services for the start-ups. The capitalists obtain high capital incomes through the equity transfer after the businesses succeed. So this kind of capital should be named "Venture Capital". Nowadays, in most cases, all the "Venture Capital" is called "Venture Investment", because the capitalists gain benefits from the development of a set of mechanism and means of risk management, far more than venture investment. Venture Capital has already been a new brand of financial industry, but only when emphasizing on the role of such investments in the start-ups can it be called "Venture Capital" (but it stresses on innovation business).

2.2.2 The Characteristics of Venture Capital

VC is strong-professional and exquisite-meticulous investment activities and investment-financing system. Through careful screening, risk dispersing, strengthening management, timely exiting etc., it can support innovation entrepreneurship and help investors to profit. Generally speaking, venture capital has the following characteristics.

a) High Risk with High Profit

VC is a kind of investment without guarantee. In the process of VC, there is no mortgage and guarantee for the venture capital; The investment objects are often *high-technology* in the seed technology, some design ideas and has-not-started or has-just-started small innovative companies which have various uncertain factors; A new scientific and technological achievement can be a new product after the following links: technology researching, productions trailing, intermediate testing, production expanding, listed sale etc. Each link has the risk of failure. However, high-tech enterprises products, established by VC, usually has many advantages---low cost, high efficiency, good performance, high added value, strong market competitiveness etc. If succeed, their profits will be much higher than traditional industries and products.

In general, the successful ratio of high-tech enterprises in developed countries is 2/3. Assuming that investors can have 50% stakes of the unlisted venture enterprises, after the initial public offering, investors can get several-times or even hundreds-of-times investment returns. Therefore, as long as one of 10 investment companies obtains great success, venture capitalists can earn enough to cover the loss of capitals of other nine companies. American VC is the most successful one in the world with its annual return rate as high as 50% and its general annual income rate up to 35%.

b) Medium and Long-term Investment with Small Liquidity and Periodic Cycle

VC is a long-term investment, whose cycle includes research and development, trial production, formal production, expanding production, expanding the scale with profits, increasing production and sales, etc. Investors cannot recover the risk of capital and profits until the corporate stock market and the stock price rise. This process requires at least 3 to 5 years, or even 7 to 10 years, so it is often called "Lock-up Capital" for its *medium and long-term investment* and the very small liquidity. According to the investigation of an American company, from 1972 to 1982, 157 start-ups take an average of 30 months to reach the first equilibrium---Cash Flow Balance, and 75 months to recover the original capital value.

In addition, entrepreneurial enterprises in different stages of growth have different amount of financial requirement. In order to satisfy the business enterprise demand for capital in each growth stage and promote the steady growth of start-ups, venture capital must invest step by step for different stages of venture enterprises. So venture capitalists must participate in setting the strategic planning and investment strategy of venture enterprises.

VC is a process of cyclical operation. The cycle mode is as follows: Financing---Investment---Management---Exit---Distribution---Reinvestment. After exiting a project, it will look for new investment projects actively.

c) Equity Investment

In general investing in the way of equity investment, VC is not a loan capital, but an *equity capital*. Usually the venture capital accounts for 10% ~ 20% of the invested enterprise, sometimes more than 30%. There are the essential differences between venture capital and bank loan capital. When bank loan capital constitutes the enterprise debt, banks focus on profit and loss of enterprises for ensuring the smooth recovery of principal and interest. And venture capital investment is more likely to take the form of equity investment to the start-ups for profit from Bonus and share transferring. Therefore, venture capital emphasizes on the development prospects and asset appreciation of the start-ups so as to implement exit by listed or sold, and obtain high returns.

d) A Combination of Investment and Financing

From the perspective of *the venture capital operation*, investment risk is a combination of financing and investment, because bearing the risks and uncertainties reflects in terms of investment and also in the financing. Actually, financing plays the most important and difficult role in the process of venture capital investment.

The typical feature of VC is to raise a sum of money existing in the form of equity capital, and then spend the raised funds to buy the assets of the company that has just run or been operating. Profit of VC mainly comes from the asset price difference. Venture capitalists gain capital in financing by selling their own reputation, inviting investment plans and predict of future earnings. They hold shares by selling their capital in investment. They sell shares of companies to buy back the capital plus profit and good reputation when exiting. After capital is withdrawn, VC will commence the next round of financing and investment.

e) A combined Investment of Capital and Management

Venture capitalists, after investing capital into an enterprise, have a part of the enterprise ownership and become the shareholders of the enterprise, then the venture capitalist and the entrepreneur has formed a principal-agent relationship. Within this relationship, venture capitalists as clients and entrepreneurs as agents have their own information advantages resulting in a serious information asymmetry. Therefore, in order to reduce the investment risk and improve the investment success rate, venture capitalists will actively participate in the company's various businesses and the company's *operation and management* after investment. The form of combining the capital and management provides a good operation mechanism for the development and expansion of the start-ups.

f) Not Gain Profits from Non-traditional Channels

The *financing ways of entrepreneurs* at the start-up stage as follows: internal financing, bank loans, issuing bond, issuing shares. It is obviously unable to break through the barrier between the capital demand and the supply of funds because of the uncertainty of innovation risk and the new enterprises' low ability of bearing the risk. Venture capital is a new form of financing to solve the contradiction between the requirements of new-high technology innovation and the capital supply gap in real economic life.

g) Active Investment

VC achieves capital appreciation from the growth of the start-ups, and measures the investment benefits by the overall efficiency of investment. VC is actually an excellent activity to show our exploration and pioneering spirit and promote the national economy developing objectively.

2.2.3 The Related Subject of Venture Capital

a) Funds

Funds, a kind of equity capital, are invested by professional investors to rapid growth and great appreciation potential start-ups, generally in the start-up or early stage of business expansion, and exited the long-term capital after the enterprises grow up. Funds are invested in start-ups by buying equity, providing loans or choosing both above ways. There are three basic characteristics: having long period; participating in decision-making and management; existing at a certain time. According to the investment way, funds can be divided into direct investment capital and security investment capital, and the capitalists can choose the former way to buy options with their private capitals while the later one is to provide financing guarantees and support those invested enterprises with government capitals.

b) Venture Capitalists

The venture capitalist is the author of the venture capital, which is generally divided into four categories.

- Venture capitalists

  They are a group of experienced and well-trained professional financiers who have the science and technology production background, management knowledge and profound financial aspects of professionalism. They can increase the monetary by using their own professional skills and management experience for start-ups, when they invest capital in start-ups.
- VC firm

  The responsibility is to find the source of funds, select the investment objectives, participate in the operation and management, and withdraw after gaining profit. Most of firms belong to a private partnership. Partners are divided into two categories: Limited partners (Investors are the basic investment source of VC firms); General partners, also called the venture capitalists (They manage the day-to-day operations of VC firms, screen and determine the investment projects, and distribute the profits fairly). VC firm is generally composed of technical personnel and financial personnel. And the main task of technical personnel is to assess the technical feasibility of applying for investment projects and financial personnel charges the company's financial management. VC firms are knowledge and capital intensive enterprises.
- Industrial Investment Co., Ltd

  These companies are independent VC institutions, usually the subordinate company of the non-financial industry company, on behalf of the interests of the parent company to invest. Their management and the organization are similar as private partnership VC firms, and they invest to some specific industries.
- Angel investors

  This is the earliest and most-represented venture capitalists, and there are still some differences between angel investors and venture capitalists: they have all ability of the venture capitalists and extra strong capital; they are investors and managers, also the general partner and limited partner. In most cases, angel investors finance spontaneously the start-ups or small-medium enterprises.

c) Pioneering enterprise

Pioneering enterprise is the investment objective of VC. The function of the pioneering enterprise is to create value what the function of the venture capitalist is to find value. They develop high and new technology and transform it into products, so as to achieve the purpose of business. They generally have following characteristics: small-scale at the beginning; micro enterprises; only having a few employees, existing very high risk. But they will gain the alarming profit after success.

d) VC market

Venture capital market is different from the general capital markets, and plays an important role in the capital market as a great-risk sub market. VC market has higher risk than the general capital market, because of the asymmetry and incomplete market information determined by the characteristics of the start-ups. Entrepreneurs, venture capitalists and private venture investors are the cores of the VC market. The successful combination of both huge growth potential and high returns creates an economic miracle after another. However, it is still a long-term and arduous task to create a perfect and efficient VC market. It requires persistence and efforts of the government and society to create a better investment market.

2.3 Venture Capital Financing of High-tech Business

Venture capital is a combination of technology and financial products, and the booster of the achievement of high-tech transformation and development of high-tech industry. In modern developed countries, venture capital investments paly an indispensable role in the high-tech industry development and the promotion of a knowledge economy.

2.3.1 Inherently Identical to Institutional Arrangements of VC Financing

Characteristics of high-tech industries inherently are identical to institutional arrangements of VC financing. High-tech enterprises have characteristics of growth potential, high innovation and high-risk., which is in agreement with the direction of investment and investment characteristics of VC. Generally speaking, venture investment is different from financial investment, and venture investment preferences are high-risk projects, focusing on the future development potential and growth potential of enterprises.

For *innovative enterprises* with advanced technology, venture capital and management will be provided a full range of support for all stages of business and technology development. Traditional bank loans, for reasons of security and liquidity considerations, tend to support the products and businesses with relatively stable, and the relatively mature technology. Therefore, venture capital opens up a new path for high-tech enterprise development. Meanwhile, although high-tech industry has a great deal of uncertainty in the early growing stage, and technological risks, market risks, and risk management will always exist. But once the production of its products had been successful, it will generate a multiplier effect in monetary, which will bring high returns for venture capitalists.

2.3.2 Venture Investment in Equity-based Manner

Venture Investment in *equity-based manner* provides *value-added services*, to guide the development of high-tech enterprises. Venture capital investors will put funds into invested enterprises in the form of equity or quasi-equity capital to access to equity. Meanwhile, they can join enterprise management. Investors generally have the expertise and management experience, to participate in planning the target for the long-term or short-term development, deforming the objective of production, and the establishment of enterprise marketing schemes by providing technical and management and other value-added services. They will be involved in enterprise capital operation, to provide additional investments or create accessing to capital for businesses, even in connection with such an important hiring and dismissal. The investor's objective is to grow the enterprise through providing value-added services and investment, and then exit by listing in the IPO, merger or acquiring. They can get money, increasing and change to cash from their investment in equity flows. And the enterprise, in this process, will improve their own internal management level, and does not have to be concerned about the loss of equity, which safeguard the interests of the original owners.

2.3.3 Less Liquidity, Long Cycle, Cyclic Flow Pattern

Venture Capital is a long-term investment with *lesser liquidity.* From the beginning of the progress, there will have different proportions of capital investment for enterprises at all stages. After the long-time operation, enterprises form a certain scale into the stable stage, investors will withdraw investment through equity transfer and other means. Therefore, venture capital companies are generally required to accompany through the most difficult start-up phase. For this feature, it is very applicable to SMEs, who have management, risk, small-scale and financing difficulties in the early stages of growth. Moreover, the venture capital feature is that they have courage to take higher risks in pursuit of maximum return on investment, and continue to reinvest funds from the last high-risk enterprise into the next similar enterprise with "high-risk, high-tech, high growth potential", which realizes a value adding cycle. It would form a capital chain with continuity and growth potential. Eventually, venture investment will become the most important channel for SME equity financing, it could connect fund holders and SMEs in emerging industries.

2.4 Four Stages of Enterprises

A high-tech industry, usually can be divided into four stages: the stage of brewing technology and invention, the stage of technological innovation, the stage of technology diffusion, and the stage of industrialization and mass production. After completing one stage, it will move to the next stage, in which the funds are necessarily needed. But the nature and scale of funding required for each stage are different. Furthermore, it will be worked out in Chapter 4 to analyze the specific case.

2.4.1 Seed Stage of Enterprise

Seed-stage refers to the phase of the brewing and the invention of a technique. Entrepreneurs will generate innovative ideas in this phase, and start to make initial molding products. Fiscal requirements are few during this period, mainly from personal savings, personal loans and research funds. If you do not have enough money, you can seek specialized venture capitalists and venture capital firms. Venture capital in this period actually is "*Angel investor*", which is a venture capital in the originally period of the enterprise. In order to get the "*Angel investor*", entrepreneurs must conduct exhaustive market survey and scientific forecasts. They need to inform investors of their business or product idea, mode of business operation, and profit model, which attract the attention of investors. When investors think the project is profitable, they would have agreed to build a small joint-stock company, investors and entrepreneurs will have a certain part of shares, and cooperative production, until having the formation of a formal product. At the seed stage, enterprises will face with three major risks: the technical risk of high-tech enterprises, the marketing risk of high-tech products, and the management risk of high-tech enterprises. Investments from investors in seed stage accounted for the less proportion of the total amount of venture capital, generally not more than 10%. It carries lots of risks, therefore it will have a higher rate of return.

2.4.2 Start-up Stage of Enterprise

Creation phase is the phase of technological innovation and product test marketing phase. At this stage, the product has been shaped. After it enters the test phase, entrepreneurs should observe the market reaction and improve products according to customers' needs. Funds of start-up stage names as venture capital, in which stage capital investment increases significantly. During this period, investor examines the feasibility of risk management plans, as well as product features and competitive in the marketplace. If the sales performance of products tests well, and it has good potential for growth and profitability in expected, investors will increase investment. Risks at this stage are still mainly technical risks, market risks and management risks.

2.4.3 Growing Stage of Enterprise

Growing stage refers to the stage of technical development and production expansion. The capital at this stage has an increase in demand relative to the first two stages. On one hand, it is to expand the production, on the one hand, it is to develop new markets and increase marketing spending. Enterprises have reached a basic size, and began to turn a profit. Funding for this phase is called growth capital, which mainly come from the original increasing venture capital and the new venture capital. In addition, product sales also can bring funds back, so banks and other steady funds would also be looking into. The risks at this stage is not primarily a technical risk, but market risk and management risk increasing. Risk is greatly reduced compared to the first two stages, but profit margins are also lower.

2.4.4 Mature Stage of the Enterprise

Mature stage refers to the mature technology and products to the industrial production stage, so funding for this phase are called mature capital. Funding for this stage is still in a great demand, but venture capital has begun to gradually reduce. Mass production of the products has been able to generate a lot of cash flow. As corporate profits improved, and production skill maturated. Enterprise already have financing conditions, such as bank loans, bond issuance and IPO listing. At this stage, risks are greatly reduced, thus the profitability of venture capital is no longer attractive. Investors start to withdraw investment in the manner of transferring equity, such as public listing, mergers and acquisitions.

2.5 Investment Strategies Taken by Foreign Investors

Investment strategies for foreign investors typically are joint investments, segmented investments, matching investments and portfolio investments. It will be used to analyze the specific case in Chapter 4.3.

2.5.1 Joint Investments

For projects or companies with high risk, high investment, investors often combine with other investment institutions or individuals to invest together. Headmost investors always hold the most stock. So for start-up enterprises, they can have more resources of investors. But it's not better to have more investors. Because more investors, more conflicts and internal frictions.

2.5.2 Segmented Investments

In the early stage of the business enterprise development, various aspects have more risk, and the relatively funding requirements are less. As time goes on, risks gradually are reducing, and funding needs are increasing. For the development of projects not progressively getting better, not worse, investors can consider carefully whether the additional investment further at its next round of investments. For those enterprises who have no hope to save, investors can upfront investment by *means of settlement* as possible. This kind of strategy with several phased investments enable investors to retreat freely as risk change, to avoid the investment losses as far as possible.

2.5.3 Matching Investments

Matching investment refers to investors require project managers or venture enterprises to put the appropriate funds when investing in projects or enterprises. Matching investments tie venture capitalists and venture enterprises together, which improves venture enterprises or project managers to strengthen management and reduces investment risk.

2.5.4 Portfolio Investments

Don't put all your eggs in one basket. Investors generally would not invest all money into a project or an enterprise, but scatter into multiple projects or enterprises. In this way, the loss of one or more projects or enterprises may be made up from another successful project or enterprise, which can avoid the risk of venture capital firm to be wiped out. In General, the possibility of failure of several projects at the same time is much smaller than the possibility of failure of a project.

3 Current Situation of Foreign Investors in China

Due to the influence of the world financial crisis, foreign investment had been in the doldrums. In recent years, foreign investment began to be active in China. Its development becomes a focus to financial scholars.

3.1 Development Stages of Foreign Investors in China

The introduction of foreign capital had been intermittent with a limited scale for 30 years from the founding of new China in 1949 to 1978, of which most consisted of foreign indirect investment. It was not until 1979 that did china introduce foreign direct investment (FDI). Till 1991, the utilization of foreign capital in china still largely depended on indirect foreign investment, of which foreign loans occupied the main part, at the percent of 60%-70%, while FDI was in fairly limited amount. The annual utilization of FDI exceeded that of foreign indirect investment for the first time in China and came to the dominant position after Deng Xiaoping's South Tour Speech in 1992. It has been a history of more than 30 years of FDI in China, and when we look back, in the perspectives of the policies and investment scales that we adopted and achieved in the utilization of FDI, we can find out that FDI in China has roughly undergone the following stages.

3.1.1 Start-up Phase in 1979-1986

China started the reform and opening-up policy after the Third Plenary Session of the Eleventh Central Committee, when people's attitudes towards the foreign investment had shifted. *The first regulation* relating to the utilization of foreign capital named "Enterprise Laws of Chinese-Foreign Joint Ventures" passed in the second meeting of the fifth National People Congresses of China, in July, 1979. In this stage, FDI was still in a limited amount, which was mainly from HongKong and Macao, rather than western developed countries. At that time, utilization of foreign capital largely relied on foreign loans, while FDI only accounted for a percent of 39.27%. And coastal cities like Guangdong and Fujian are the main areas for FDI, by which the mostly-invested were the labor-intensive industry and the hotel service industry. At the same time FDI in inland China hadn't even started.

3.1.2 The Phase of Steadily Increasing in 1987-1991

The State Council issued "The regulation of the state council on encouraging foreign investment" in 1986, within which many new measures such as utilizing the foreign capital and expanding opening up brought further improvement in the *investment environment* of China, meanwhile drew more attention of foreign capital. In this phase, the scale of FDI was increasing in a degree as Taiwan started its investment in China and enlarged it year by year, while the capital from HongKong and Macao remained the main resources. The area of FDI was simultaneously extended as some inland regions started the introduction of FDI. Under the influence of FDI, the productive projects and export-oriented projects of China were developing rapidly.

3.1.3 The Phase of Explosive Growth in 1992-1995

The barriers in utilizing foreign capital were vigorously removed after Deng Xiaoping's South Tour Speech and the policy of speeding up the reform and opening-up put forward by the Political Bureau of the Central Committee of Communist Party of China (CPC). At the same time, since the international industrial restructuring was quickening, the economic outlook of Asian-Pacific region was considered highly promising. The emergence of all these factors provided an excellent

Opportunity for the utilization of foreign capital in China. In this circumstance, the government introduced series of policies to further expand the opening-up, including the measures of enlarging the range of foreign investment, developing more joint stock companies with foreign investment and so on. The opening of 6 port cities along the Yangtze River, 3 inland boundary cities and 8 provincial capital cities brought foreign investment activities to a climax. A lot of foreign enterprises not only from HongKong, Macao, Taiwan, but also from US and EU entered into China in this phase. Various forms of foreign investment emerged at that time, which mainly consisted of joint-ventures, cooperative enterprises and wholly owned companies.

3.1.4 The Phase of Structure Adjustment in 1996-2001

In this period china had faced huge challenges in the utilization of foreign capital. On the one hand, the Asian financial crisis had caused great external pressure. On the other hand, the domestic problems of insufficiency of effective demand and deflation also resulted in a dire state. The Central Committee of CPC and the State Council held a national conference on utilization of foreign capital, to summarize the 10 years' experiences of utilizing the foreign capital as well put forward a goal of opening still wider to the outside world and making better use of foreign funds. The government started to pay more attention to not only the quantity but also the quality of the foreign capital. In this stage, the most common resources of FDI were from western developed countries such as US and nations of EU. More and more multi-national companies listed in fortune 500 set up branches in China, bringing foreign capital with growing technical content and higher quality. Overseas investors started to pay close attention to inland cities with ideal investment conditions.

3.1.5 A Mature and Stable Stage Since 2001

With our country joining WTO in 2001, we did some follow-up and revision in the regulations and policies relating to the utilization of foreign capital. In this phase, the resources of foreign capital were still majorly from the multi-national companies of western developed countries. The project size of investment in China was larger than those in the four phases above. Besides, multi-national companies started to promote the localization strategy and set up R&D in China. In the aspect of the forms of foreign capital investment, the proportion of wholly foreign-owned enterprises ultimately exceeded that of joint ventures and became the major form of FDI.

3.2 Changes in the Investment Structure

In recent years, with China joining in the WTO and affected by the world economy environment factors, the foreign investment not only is increasing in the number year by year, but also have been some new changes in the structure.

3.2.1 Investment District in the Central and Western Regions

At the beginning of the reform and opening up, with coastal areas to accelerate the pace of opening of the mainland, some foreign tried to put some capital to Jiangsu, Zhejiang, Guangdong, Fujian, Shanghai and other places, because the basis for economic development in these areas are better, with policy transparency and loose environment, which undoubtedly brought foreign investment a larger profit and more profit opportunities. So a lot of foreign merchants gathered in these areas at that time, especially after the 80s and 90s.

After business investment boom, such as Yangtze River Delta with Shanghai, Jiangsu and Zhejiang, and the Pearl River Delta region, as the core of Guangdong and Fujian, they were increasingly opened to foreign investment. But in recent years, the situation has changed. foreign investment district is expanding in the region, and the main focus of investment shows "north to the west". Beijing and Tianjin have unique conditions for the development of high-tech industry, and also have become one of the first choice of foreign high-tech industry to the north. After Beijing won the right to host the 2008 Summer Olympics, in the construction of infrastructure, environmental management and protection, etc, which must provide an excellent investment opportunity to foreign investors. Especially since the central government is implementing the western development strategy, the foreign investors are abstracted by the *central and western regions*, with its favorable investment policy, rich in natural resources and the advantage of cheap land and Labor. Nowadays, not only some foreign investors who have been in China have developed westward to develop business and seize the market, but also some foreign investors who have not yet moved to China plan to invest in the west. Currently in the midwestern areas, there have already raised a hot wave of foreign investment, including Sichuan, Shaanxi, Chongqing and other places have gained quite a proportion of foreign capital share, and are going to accelerate growth.

3.2.2 Larger Investment Scale

Foreign investment in China, which can be said to be experienced a cross from emotional to rational stage. At first some of the foreign investment came to China mainly with small projects. Then the situation is quite different in recent years, many foreign investment has relied heavily on the vast Chinese market, as an important production base. Many foreign investors push into China to seize the market for long-term economic interest temptation, and *the scale of investment projects* also become increasingly large.

Especially the world 500 strong enterprises and listed companies, mostly have investment projects in China. The good news is, in the "cluster effect" of large foreign enterprises, a large number of foreign-related SMEs have followed suit, and gradually formed a complete industrial supply chain. It is foreseeable that in the near future, China will become the world's largest production base and one of the largest markets.

3.2.3 Services Trading as the Main Commercial Areas

The new changes of industrial structure of foreign investment is taking place. In production-oriented enterprises moderate growth, while the foreign investment in services trading is in the rapid growth, and trading in services has become a hot field of foreign investment. American famous management expert Peter. Drucker once advised US investors, "Go to China, the biggest opportunity is not manufacturing, but the service sector." Overall, the foreign investment in the service sector increased in the proportion of the total foreign investment. According to China's WTO service market opening schedule, after the end of 2004 in China, right to trade and domestic distribution have been opened to all foreign investors. Some foreign determined their "*China market strategy*" to cooperate with this schedule of opening up, and had been ready to invest in China and development actively.

April 16, 2004, *Measures for The Administration on Foreign Investment in Commercial Fields* was published by Ministry of Commerce of the People's Republic of China. This "Measures" includes the experience form experimental unit of foreign-invested commercial enterprises, and to further open services markets, which reflecting the performance of China's WTO accession about commitment in the field of distribution. The main contents of the measures are: Firstly, the threshold of the foreign investment in commercial greatly reduced. The commercial could be changed from experimental unit to opening by utilization of foreign investment. It shows when in the situation of being in line with measures, domestic and foreign investors could establish foreign-funded commercial enterprises according to law, and enterprises according to *law*, engaged in business activities in the field of commercial circulation. Secondly, the investment in commercial fields are opened further, to relaxing constraint of foreign investors' equity ratio, and the restrictive requirements, such as the registered capital and investors scale, are canceled. Thirdly, the approval process gets simplified further. It states the decentralization of some approval authorities of foreign capital commercial, which means some foreign-funded commercial enterprise, such as with small-scale, small number of shop or using Chinese brand trademarks or trade names, would be delivered to competent commerce departments at the provincial level for examination and approval. The policy of "Measures" will further promote the development of foreign-invested enterprises in the business sector.

By the end of 2003, the world's 50 largest retailers, more than 40 of which have entered the Chinese market. The most intense competition is supermarkets, the representative of high-end development direction of modern circulation, in which the proportion of foreign control is as high as above 80%. For a long time, because of lacking of understanding of the importance of circulation industry, there is no clear restrictive policy and it caused that foreign commercial enterprises inroads into the main channel of circulation through various ways and means before the opening of services, which caused the national circulation great shock and damage, even some kind of threat to the national economic security. According to a survey of commerce department, it showed that 90% of enterprises were established violations in more than 300 large enterprises established in China. Authorities said that these foreign retail giants had completed the strategy in our country, and had formed the leading edge, it would be the critical period of aggressive expansion, combination, merger and reorganization in the next three to five years. According to this momentum of development, foreign retail market share was expected to reach more than 60% in large and medium cities of our country in less than five years. In "2004 World Investment Report" of UNCTAD in Beijing, for the affection of foreign direct investment in the service sector on developing countries, the developing countries should establish an appropriate itemized policy in the process of foreign investment to service industry.

3.3 The Reason for FDI to Invest in China

High share of FDI in China of foreign capital inflows attracted the attention of many scholars and researchers. Among them, the two senior economist of American development bank, Ricardo Hausmann and Fernandez - Arias, they thought that rising proportion of FDI implies that the domestic capital market failure, imperfect financial system and high investment risk. Domestic traders sold their companies to foreign investors, which meant that the country's markets and financial system restrict the development of these companies. However, maybe we can explain the phenomenon of "foreign investment enterprises" in China from four aspects, state ownership, economic diversification, the effectiveness of financial market and policy interests.

3.3.1 The Government Policy Guidance

The Chinese government has favored FDI for a long time, and actively encourages the introduction of FDI, even gives FDI enterprises more profits than the national in the taxation. The Chinese government has adopted policies to guide the international investor's investment way, making it mainly in the form of FDI, which based on the following reasons:

a) Based on the Macroeconomic Stability

Although FDI capital cost is relatively higher, but the Chinese government mainly focuses on that the FDI capital liquidity is poor. Under the precondition of FDI, if there are adverse changes in the market environment, international investors cannot take cash effectively and quickly from holding shares of the factory, or cooperative enterprise. Promoting FDI, and restricting international investors from investing in Chinese stocks and bonds, although some may harm interests of the national companies, but if we can enhance *macroeconomic stability*, it is still an appropriate choice. Chinese government has adopted the policy of foreign investment now, it may slow the pace of development of China's economy in the short term, but if it can reduce the probability of financial crisis, so the net effect of this encouraging FDI economic policy is positive. From the financial crisis sweeping East Asia, Latin America and Russia, it shows that the financial crisis can quickly do the country's economic situation reversed, and serious damage the foundation of the national economy, which makes a rapid drop in gross national product (GNP). The financial crisis can cause significant damage to the national economic foundation, and the original implementation roadmap will be abandoned, so come to naught. Therefore, considering from macro to bear ability, the utilization of foreign investment should be in the first row of foreign direct investment.

b) The Domestic Market Demand

In Economic growth theory, capital, labor and technology are the basic elements of economic growth, capital and labor provide raw materials and initial speed for economic growth, technology provide acceleration in economic growth through changing the mode of the combination of capital and labor. China has abundant labor resources, capital and technology are seriously lacking. However, this distribution of resources determined that the short-term goal of utilization of foreign investment is to ease China's capital shortage pressure; and the Long-term goal is to introduce technology, improve the level of technology, thus achieve the virtuous circle of the capital, labor and technology, to promote economic growth. China has cheap labor force, broad market, abundant land and generous incentives, supporting of setting such goals. The existing resources and established objectives decided the strategy of our country's utilization of foreign capital.

First of all, FDI not only invest fund from multinational companies to the domestic, but also bring its *advanced technology* which is the most urgently needed in China, and it is difficult to obtain by other means. Currently, the world's largest 500 multinational monopolies and control 90% of the international technology trade, they generally do not want to transfer its most advanced technology, but they prefer to use them in subsidiaries by FDI. Beijing Jeep can product United States Cherokee products in the international advanced level only in the lag of half year, Shanghai GM can produce the latest high-class Buick 97 cars, which reflect the unique advantages of FDI.

Secondly, multinational companies brought us new management idea and management mode, and Chinese employees and partners also received the concepts of the market mechanism, international practice and the globalization management. Examples of the multinational corporations with competitive pressures contributed to the birth of Lenovo, Haier and so a new generation of Chinese enterprises. Therefore, we can say that they bring a sense of urgency and promote the development of our national economy.

3.3.2 Foreign Pursuit of Profits

Traditional economy theory suggests that, in order to look for new investment opportunities in higher return on investment, international capital inflows to countries lack of capital from capital abundant countries. This redistribution of capital will facilitate the more capital to recipient countries, and bring to great social interests. For foreign investor, the domestic market saturation, the profit margin is lower. But it is great opportunity to seek the efficient capital operation through the capital output, based on the exploit overseas market. Thus the goal of foreign investments must be high margins and to occupy the market in our country. Foreigners want to achieve this goal rely on the abundant capital and advanced technology. The main strategic is taking capital for profit, technology for the market. In addition, for investors of FDI, a single investment amount is often very large, large, so it is difficult to implement diversification strategy to reduce systemic risk. Low liquidity difficulties and diversification characteristics, determine that the FDI would be more risk than the other ways. Thus, according to the basic criterion of the greater the risk with the higher the required rate, FDI investors will usually require the return rate of capital investment higher than the rate of return on those stocks and other investment portfolio.

3.3.3 The Obstruction of Domestic Capital Flow

One of the most striking features of contemporary China is that China's local governments control a huge number of economic resources, despite the central government's ban, but the phenomenon of the local government setting up barriers to prevent local trade is still very serious. This means that foreign capital will play a unique role. Since the non-liquidity of domestic capital, there is no difference between regional capital competition and international capital competition. It seems to be reasonable to explain why the country has the world's highest savings rates, and there are high FDI inflows at the same time. People export capital to earn a trade surplus in capital adequacy region, because the regulations and policies restrict domestic investment opportunities. In under capitalistic provinces, they need to import capital from abroad to compensate for the lack of capital.

3.3.4 The Effectiveness of Financial Markets

One of the reasons resulting in the non-validity financial markets is whether Chinese bank know the use of credit loans to the most effective production. Dominant preferences are in two ways, the one is that most credit loans will be given directly to state-owned enterprises; but non-state-owned enterprises, higher productivity, greater profitability, but be in the lack of credit financing, this situation hadn't changed until government abolished the quota system to credit in 1997. This bias also means that banks are playing the role of regional redistribution of capital, but the Chinese central government cannot provide this functionality adequately. Financial resources would be redistributed from rich areas to the poor regions by charging a deposit from specialized banks, this kind of evidence showed that central bank were taking refinancing measures. Savings-poor areas, of course, had extra loans than the rich region, typically northeast provinces, where are large state-owned enterprises, and the loss is very serious. Then typical rich areas are southern provinces, such as Jiangsu, Zhejiang and Guangdong, where non-state sectors economy grew rapidly. If such dominant bias existed, the foreign companies became the capital providers for the companies who had good basis but suffered the liquidity crisis. This is a good explanation why the dynamic non-state-owned enterprises need foreign capital.

3.4 The Policies of China's Making Use of Foreign Direct Investment

After more than 10 years of reform and opening up, Chinese utilization of foreign investment has entered a new historical stage. Foreign investments are an important part of Chinese basic state policy to opening. Effect theory of host investment environment to foreign investment reveals that a country should establish sound policies and regulations for foreign investment enterprises. Policy on foreign investment in China also began changing from offering incentives to attract foreign investment to establish policy to limit foreign investment.

3.4.1 Initiative and Non-institutional

Reviewing the process of China's opening up to the outside world, it can be easily found that China take the advantage of the characteristics of foreign direct investment: One of the characteristic is the initiative opening up, the other is the policy-related opening up. The initiative opening up is refers to that China makes decisions completely by itself in the following factors: district selections, controlling degrees, formulating policies, and schedule ranking, which is less influenced by foreign factors. For instance, in the part of district selections, China takes the strategy of gradually opening up from the east to the west, from the coastland to the mainland; together with acquiring experience in the eastern developed areas first, and then promote it to the whole country, which helps to avoid the chaotic complexion across the whole country. In the content of opening up, China guides the foreign capital to flow into the advantaged industries, so as to lead up the production and the export of the labor-intensive industries. As for the degree of opening up, China begins with the processing trade of labor-intensive products. Then it turns to the import substitution and export orientation. At last, we can realize the general export trade of the mechanical-electrical capital and the labor-intensive products. On the opening up policy formulation, we take the appropriate protective policy for the trade and the investment and restrict foreign capital flowing into the tertiary industries and some special one, in order to protect the domestic market. In the aspect of schedule ranking, we connect opening up to the outside closely with the reform of China's economic system, so that we can make reform and opening up to become two important and indivisible means of our economic development. In addition, the policy-related opening up is that we match different areas industries with different policy supports and policy preference as a means instead of all areas with the same policy in the process of opening to the outside world. For instance, China offers all kinds of foreign preferences to special economic zones, and technological development zones and bonded zones in investment policies such as remitting taxes and lowering the price of land. These policy supports created the unequal policy environment for different areas and different enterprises. What's more, the history of the world economic development shows that the method has been applied by some advanced industrial countries, together with having been used in a lot of developing countries today.

3.4.2 The Conflict between China's Use of Foreign Direct Investment Policies and the Relevant Provisions of the WTO

The initiative and the policy-related is the important assurance of China's success of reform and opening up, but it has to be admitted that China's use of foreign direct investment have serious conflicts with the multilateral trade and investment rules all over the world, such as the export proportion rate, the technology transfer, and the product property of the foreign capital enterprise in the China’s use of foreign direct investment policy. We also put forward a variety of requirements and restrictions in the aspects of the balance of foreign exchange and the industries and areas of foreign direct investment. Since China was not a WTO member countries at that time, the international community can tolerate the China's policies in the course of opening up. However, after China's successful entry into the WTO, some past laws, regulations and policies have to be adjusted: The passivity of initiative policies will be in accordance with the international regulations and policies, and the non-institutional policies will be replaced by an institutional normative one, which means that China’s arrangement of the opening areas, the industries, and the time sequence must be conducted under the WTO legal framework. The restrictions on the foreign enterprises will be canceled, and China’s use foreign direct investment policies will be a lot more affected by the international community. On the other hand, the regional, the industrial, and the discrimination policies of domestic and foreign enterprises which the Chinese government applied in the foreign direct investment will be replaced by the fairer and non-discriminatory rules and regulations. The role of government in the open will concentrate on perfecting the economic laws and regulations of the socialist market, so as to create the adaptable policy environment of the rules of the WTO multilateral trade and investment.

3.4.3 Preferential Policies with Restrictions, the Lack of Neutral Policy

In more than 20 years, the important characteristic of China's foreign direct investment policy is the coexistence of policy preference and policy discrimination for foreign investment enterprises, on lack of fair and equal to a neutral policy of domestic and foreign enterprises. On the one hand, the circumstance behaves as China offers the foreign investment industries privilege in taxation, foreign exchange funds, financial credit funds, supplies, environmental management, which means they can enjoy more than the national treatment. For taxes, the foreign capital enterprises can enjoy the preferential policies such as duty-free imports of production data, being exempted from income tax and tax refunds, withholding income tax breaks, and so on. In terms of foreign exchange administration, foreign capital companies have concessions such as being held a full set of foreign exchange, having the freedom to choose buying or selling foreign currencies and to borrow foreign exchange and other benefits from the foreign Bank directly. On the other hand, China has strict restrictions in the export ratio, rate of local products, foreign exchange balance, technology transfer and the proportion of foreign investment of foreign capital enterprises. For example, we have a ban on foreign investment in our country enterprise investment of the radio, film and television news industry, the cultural industries, the weapons industries, the trade and finance industries. We take the "produce" and "replace imports" policy for foreign direct investment enterprises, which are restricted in imports of their products. In most of these industries, foreign investment proportion are limited under 49%, and all above policies leads to keep foreign direct investment enterprises completely independent from the industrial management system, forming another system. Policy incentives and restrictions are two extreme methods of a country's use of foreign direct investment, both one of which has a positive and negative effect, but it is the measure that Chinese government takes based on its level of economic development and the opening level. However, after China's accession to the WTO, the range of policy preference and the policy discrimination will be greatly reduced, and the neutral foreign direct investment policy which accords with the scope of and in conformity with the WTO framework will be the subject of use of foreign direct investment policy.

3.5 Current Situation of Venture Investment in China

Business development of venture investment once had fallen behind in China. Until 1985, the first investment corporation established with national financial and Chinese new technology, which only operated the new technical venture capital. But with the continuous optimization of the external policy environment and the deepening reform of financial system, venture capital plays an increasingly important role in Chinese industry economic development, which has far-reaching significance for China to promote enterprise innovation, adjust the industrial restructuring and transform economic development. In recent years, Chinese venture capital showed strong growth momentum. In 2011, the number of enterprises with VC is 103 in GEM (growth enterprise market) and IPO of the minor enterprises board, accounting for 42.38 percent. Compared with 2010, the rates of VC participation increased by 7.09 percent. Enterprises with VC are mainly distributed in the traditional manufacturing industries, Internet and consumer services, high-end equipment manufacturing, modern agriculture, health care, software and other industries.

3.5.1 The Current Situation of China's Entrepreneurial VC Fund Development in 2013

In 2013, the number of various types of Chinese venture investment institutions reached 1408, with an increase of 225 over last year by 19.0%. Among them, the number of venture investment enterprises (fund) are 1095, with an increase of 153 over the previous year by 9.5%; the number of venture investment management enterprises 313, with an increase of 72 over last year by 29.9%. In 2014, the number of new funds are 215, closed to the 2010 level. With the further intensified competition in the industry, there had more than 30 funds with normal or abnormal liquidation.

In 2013, the country's total venture investment management capital amounted to 357.39 billion yuan, with an increase of 26.1 billion yuan over the previous year by 7.9%. The average size of the fund management capital was 326 million yuan, which decreased compared with last year. Venture capital industry management gradually became more complex and professional without speculation, by way of delegation and outsourcing management. In China, there were 65 mother funds, managing 229 venture capital funds. The biggest mother fund managed 45 sub-funds, the size of which were 10.2 billion yuan.

Table 3.1 The Distribution of Venture Capital Project stages (2006-2013) Unit: %

Year / Growth stage	2006	2007	2008	2009	2010	2011	2012	2013
Seed period	37.4	26.6	19.3	32.2	19.9	9.7	12.3	18.36
Starting period	21.3	18.9	30.2	20.3	27.1	22.7	28.7	32.46
Growth period	30.0	36.6	34.0	35.2	40.9	48.3	45.0	38.21
Mature period	7.7	12.4	12.1	9.0	10.0	16.7	13.2	10.0
Re-setup period	3.6	5.4	4.4	3.4	2.2	2.6	0.8	0.97

Source: EZCapital, http://www.ezcap.cn/

From capital structure of China Venture Capital, the main part still were unlisted companies, which occupied 42.8% of the total capital, by up 8.8% over the previous year. The companies with the government and state-owned together accounted occupied 29.2%, by decreasing 11.4% over last year.

In 2013, the investment focus of Chinese Venture Capital compared to 2012 had been forward, and the amount of investment on the seed stage increased to 12.2%, and the number of investment accounted for 18.4%. To the investment in the initial stage, it occupied the more substantial whether in the term of project or in the term of amount. From the view of investment rounds, the first round of investment and subsequent investment accounted for 77.5% and 22.5%, respectively, and the first round of investment was still in dominant, but the proportion of follow-up investment was rising.

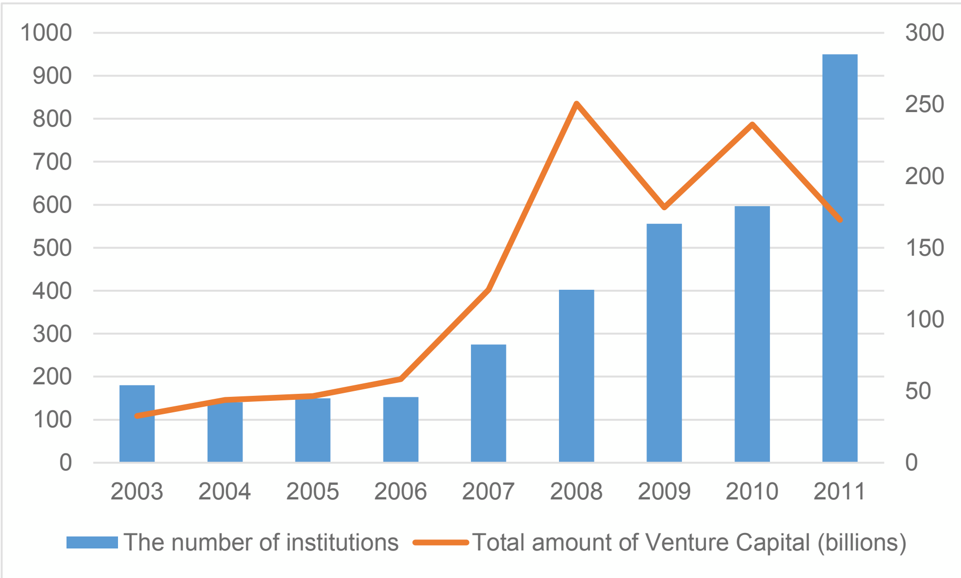
3.5.2 Characteristics of China's Venture Capital Development

This part is based on the data over the years to analyze the characteristics of China's venture capital development. The analyses are about venture capital, venture capital firms, the amount of investment, IPO with venture capital and so on.

a) Increasing Amount of Venture Capital and Venture Capital Firms

From Table 3.2, it can be seen that, from 2003 to 2011, the number of venture capital firms had developed from 180 to 950, with an increase of 4.28 times, and the total amount of venture capital had increased from 32.534 billion to 169.484 billion, with an increase of 4.21 times.

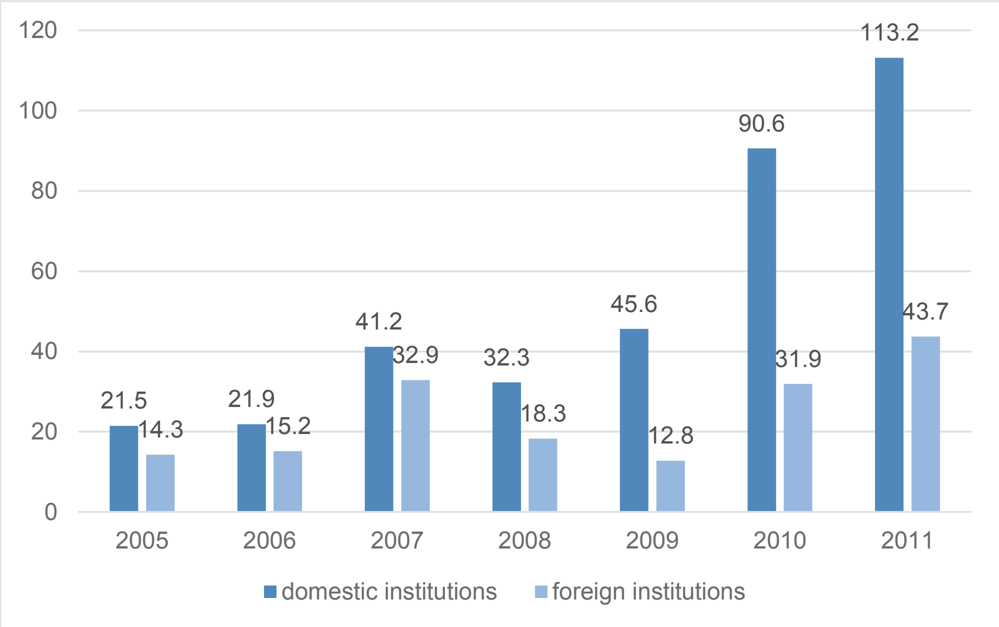
Table 3.2 The number of institutions and the amount of venture capital 2003-2011



Source: 2012 China venture investment yearbook, author

There was a marked increase in the table of 2007 and 2008, both in the quantity of institutions and the total amount of venture capital, and the growth rates were in more than 100%. After 2009, with the influence of the financial crisis and the European debt crisis, the total amount of venture capital declined. Overall, China's venture investment continued to show a steady upward trend, with good prospects for development.

Chart 3.3 Changes of the total amount between domestic institutions and foreign institutional in venture capital (billion)



Source: 2012 China venture investment yearbook, author

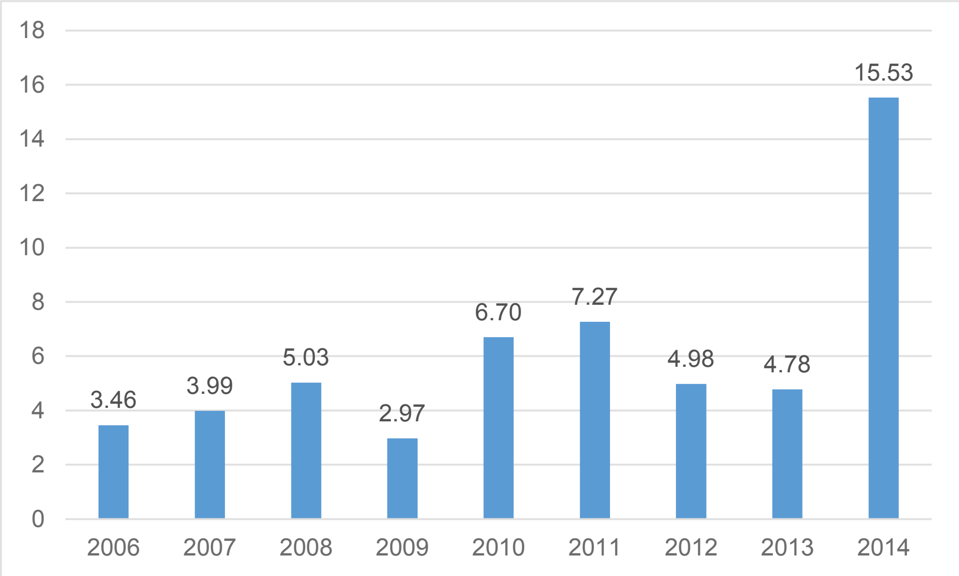
b) Diversiform Sources of Venture Capital

Venture investment institutions in China are divided into domestic institutions and foreign institutions. As it can be seen in Chart 3.3, since 2005, the proportion of local institutions' investment scale expanded year by year, and the growth rate far exceeds the foreign institutions. And local agencies have formed the coexistence situation of the government, banks, other financial institutions, non-financial corporations and individual investment, and varied the sources of funding channels.

c) Highest Amount of Venture Investment in 2014

According to Dow Jones Risk resources, there was a minor fluctuation between 2006 and 2013. The highest number of this period was \$7.27 billion in 2011. However, the amount of venture investment of China had reached \$15.5 billion in 2014, which created the highest recorded since this agency began keeping statistics in 2006.

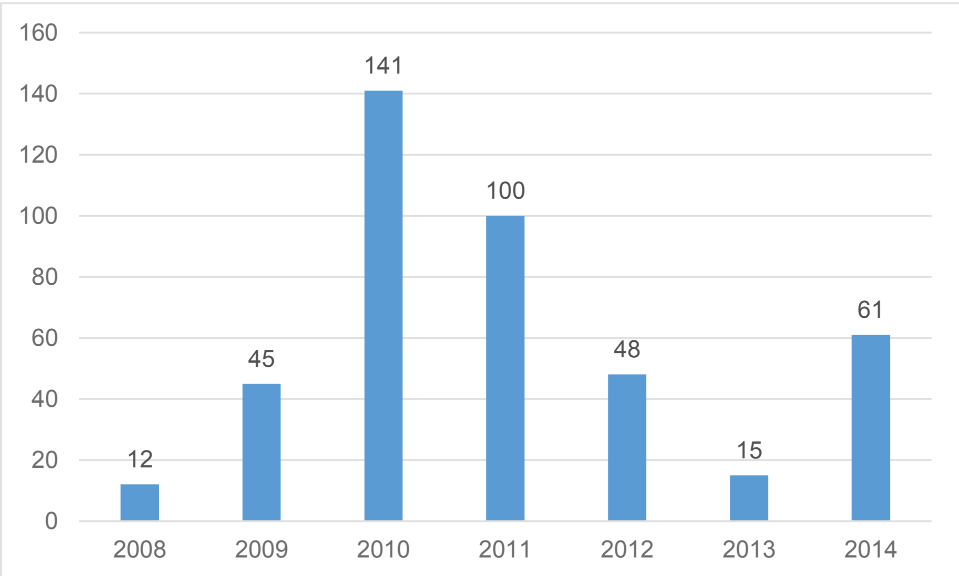
Chart 3.4 The amount of venture investment ($; billion)



Source: Dow Jones Risk resources, author

d) IPO Market Opened again

Chart 3.5 The number of IPO with venture capital



Source: Dow Jones Risk resources, author

The flourishing time of venture capital market was the time when IPO market opened again, which provided investors with better liquidity prospects. The reason why the situation in 2014 was much better than in 2013 is that the government relaxed controls on the IPO market. There were totally 61 IPO enterprises with venture capital supported, which are more than 15 in 2013 but still far below 100 in 2011 and 141 in 2010. In 2104, the total financing of IPO was $7.2 billion, which had been the highest in last 3 years but still were lower than in 2011 and 2010.

3.5.3 The Industrial Capital Promoting the Development of Venture Investment Industry

Chinese venture investment industry must hold the time and the development opportunities of transformation and upgrading by a diversified investment patterns and diverse exit channels. Since 2014, the country had at least 19 P2P lending platform announced that they got access to venture capital.

The rise of mobile devices highlighted this important trend. According to the data of China Internet Network Information Center released in July 2014, it was the first time that the number of mobile Internet users were more than PC Internet users. The agency estimates that, up to June 2014, mobile online shopping population were 205 million, increased by 42% compared with December 2013.

The popularity of smartphones and mobile decided to stimulate the innovation in 2014 in China, which attracted more venture capital. More and more new products were born, and new applications and hardware development were also accelerating, which resulted in the high demand for new services.

Consumer companies dominated venture capital market in the fourth quarter, and the top five investment were all occupied by such enterprises. The largest financing is $ 1.1 billion for XiaoMi. The second and the third were $ 600 million for Didi Taxi and $ 700 million for Quick Taxi.

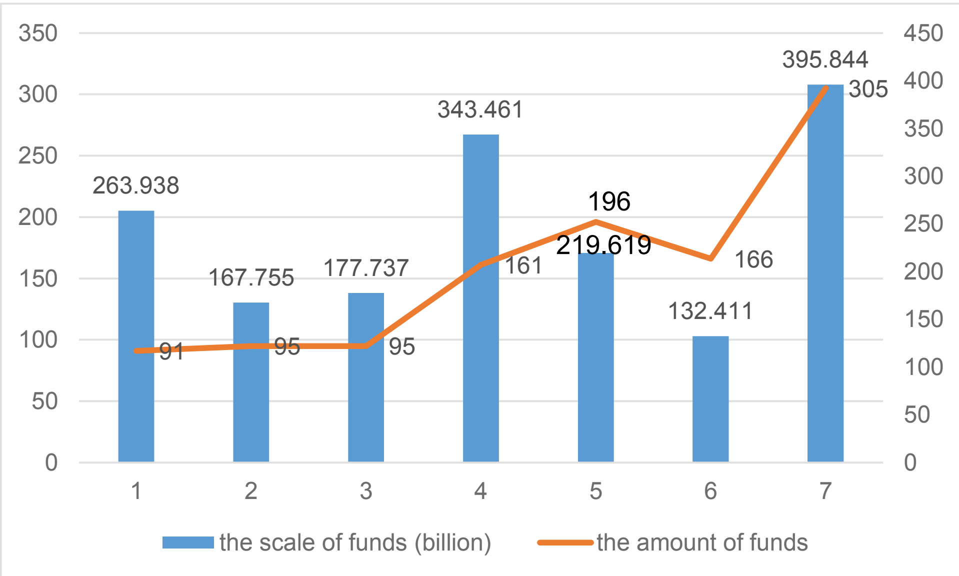
In the fourth quarter of 2014, venture capital of Chinese companies reached $ 6.8 billion, which was almost five times of the previous year's $ 1.4 billion. However, complete transactions also were up by 79%, increased from 136 in the same period in 2013 to 243 in 2014.

In China, the median of single venture capital financing was $9.8 million, much higher than in 2012 and 2013, but still less than $10 million in 2011.

3.5.4 Situation of China Venture Capital Fund Collecting in 2014

In 2014, the whole situation of the fund raising in China was improved, whether from the number of newly established funds or the scale of funds, it showed remarkable rise. Statistics show that the newly established funds were 305 in 2014, representing growth of 83.73% compared with last year. The total amount of received funds were 395.844 billion yuan (US funds had been converted in yuan), representing growth of 198.95% compared with last year. The case of funds raising in 2008-2014 is shown below in Chart 3.6.

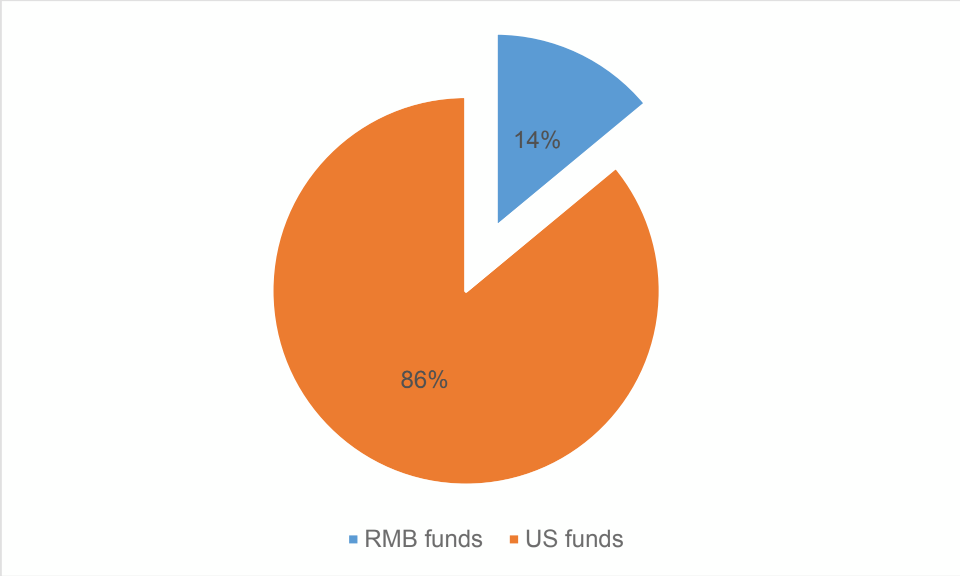
Chart 3.6 The scale and amount of funds in investment market in 2008-2014



Source: EZCapital, http://www.ezcap.cn/

Statistics below in Chart 3.7 showed that most of the newly established Fund for 2014 was RMB funds, in a total of 258, accounting for 86% of the total number of newly established funds, and US funds was only 41, accounting for 14% of the number of funds. As it can be seen, the US funds were far more than RMB funds, which means that there are lots of funds are from foreign investments.

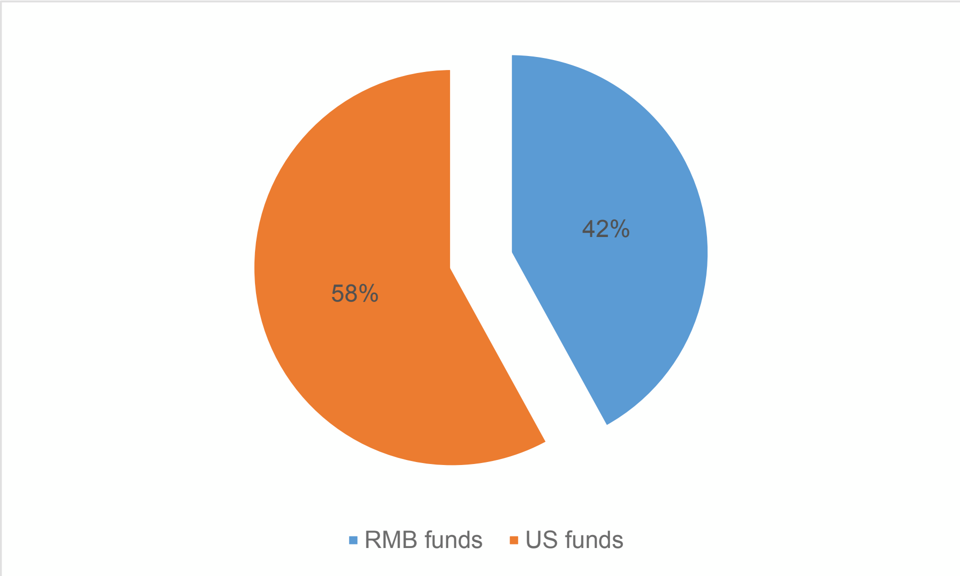
Chart 3.7 RMB funds and US funds in China's investment market in 2014



Source: EZCapital, http://www.ezcap.cn/

However, from the size of the obtained fund in Chart 3.8, the dollar funds and RMB funds were basically similar. New established RMB funds in 2014 totaled were 114.282 billion yuan, accounted for 42 per cent, and newly established US dollar fund were 81.081 billion yuan, accounted for 58 per cent.

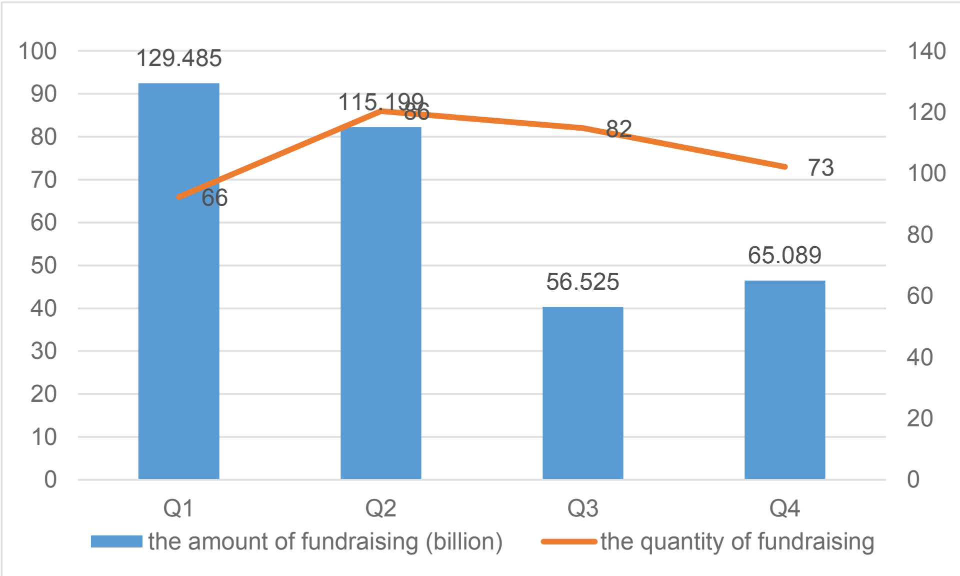
Chart 3.8 RMB fundraising and US fundraising in China's investment market in 2014



Source: EZCapital, http://www.ezcap.cn/

In Chart 3.9, from the quantity and amount for each quarter in 2014 to contrast, the first two quarters of new funds substantially beyond the quantity and amount for last two quarters. In the second half of year, the market began to shrink significantly. The highest amount was shown in the first quarter as 129.485 billion.

Chart 3.9 The situation of fundraising in quarters in 2014 (excluding public disclosure funds)

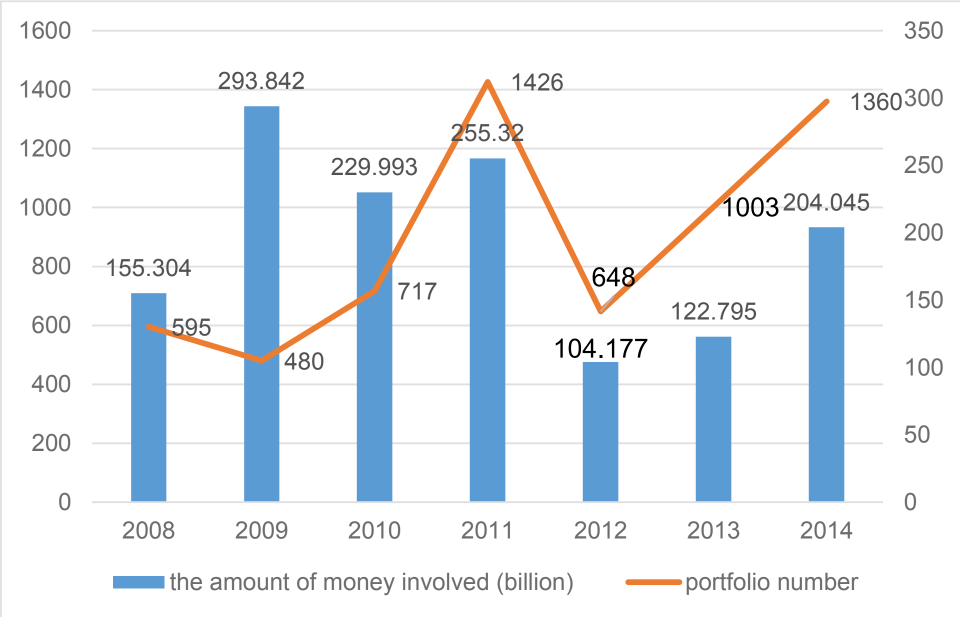


Source: EZCapital, http://www.ezcap.cn/

Overall, not only 2014 fund-raising had risen sharply with respect to the previous two years, but also investment situation had improved markedly.

Statistics showed that in 2014 China venture capital market, a total number of investment event were 1360, with an increase of 35.59 percent over the previous year, and the amount of investment has a greater rate of growth --- the amount of obtained investment in a total were 204.045 billion yuan, with an increase of 66.17%. Investment value had been substantially close to that in a very active period of 2009 to 2011. In 2008 to 2014, investment situations in contrast are in Chart 3.10.

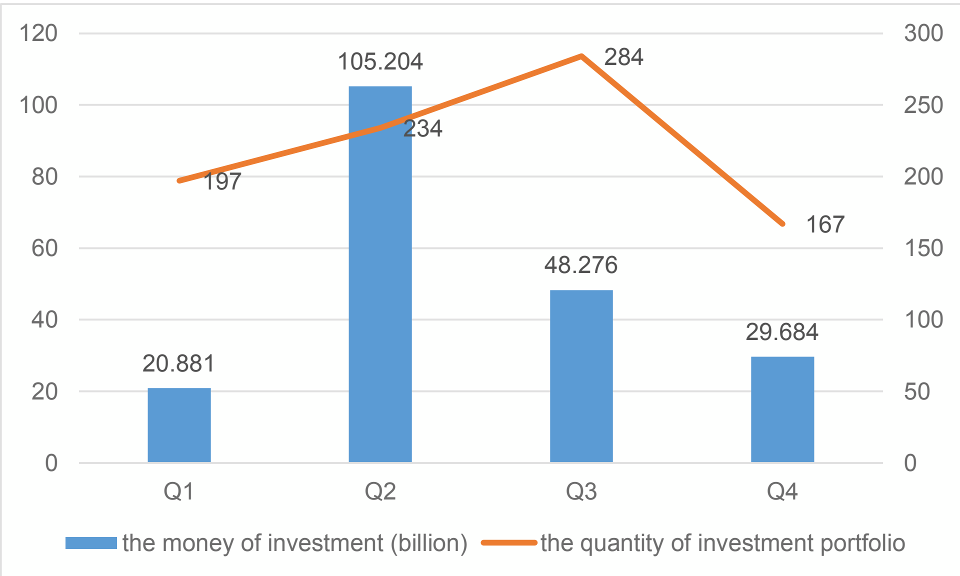
Chart 3.10 The portfolio number and the amount of money involved in China's venture capital market in 2008-2014



Source: EZCapital, http://www.ezcap.cn/

The next Chart 3.11 shows the number and amount of contrast investment event of each quarter in 2014 (excluding public disclosure section). From Chart 3.11, middle of this year tended to be more active, with 1052.04 billion yuan and 234 cases as the largest amount of venture investment, and private investment were involved mostly. By comparison, the amounts of other three quarters were less but similar.

Chart 3.11 The situation of investment portfolio in quarters in 2014



Source: EZCapital, http://www.ezcap.cn/

Chart 3.12 Comparison in three categories

Category	Quantity	Amount (million, yuan)	Average amount (million, yuan)
Angel investment	179	34.209447	0.191114
Venture investment	655	575.507216	0.878637
Private equity investment	116	1352.208257	11.656968

Source: EZCapital, http://www.ezcap.cn/

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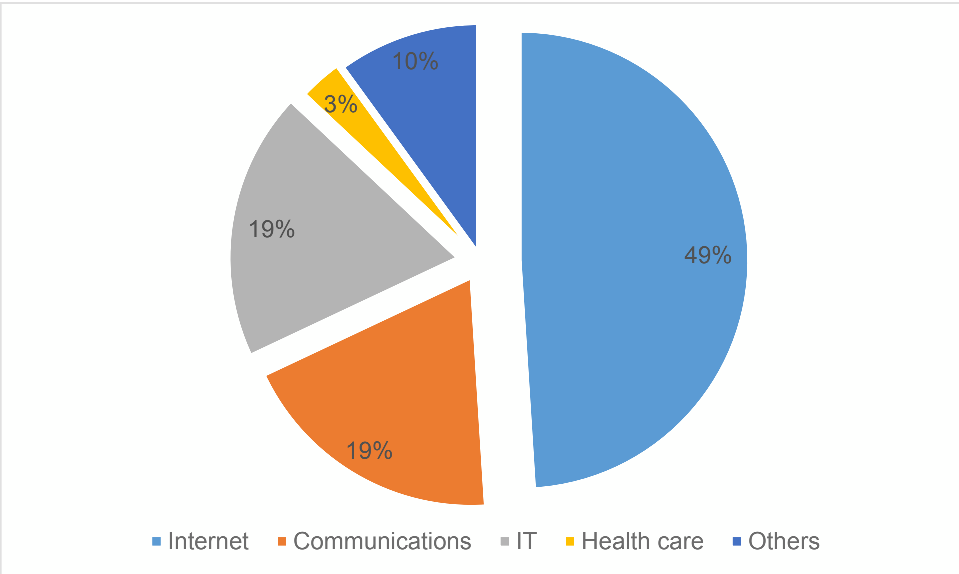
However, in Chart 3.12, there also were differences in different categories. Especially in the amount, private equity investment was in the leading role, with the number of 1352.2 million yuan and the average amount in 11.66 million yuan, which were too more than the amounts of angel investment and venture investment. But in quantity, venture investments had 655 cases at most. In Chapter 4, it will be discussed in Alibaba's case.

Chart 3.13 Investment capital in industries in 2014



Source: EZCapital, http://www.ezcap.cn/

In 2014, the investment amount of China venture capital market can be contributed in (according to the distribution of industry from the most to less)： Internet, communications and

IT industry, these three industries. The proportion of each industry in the total investment amount are 49%, 19% and 19% in turn. Other high concentration of investment in the industry are: health care, manufacturing and financial. The top six investment sectors mentioned above obtained the total amount of investment were more than 180 billion yuan

Here, it should be highlighted that investment in IT industry almost occupied a half of total investment, which shows the important position of IT in both domestic market and foreign investment. Now, in the next chapter, Alibaba, as the well-known representative of IT industry, will be a typical example to be analyzed.

4 Venture Capital in China

In the knowledge economy era, innovation development becomes a vital strategic choice. As an important resource for innovation, venture capital is playing an increasingly important role in the innovation process. Take Alibaba as example, there are analysis of Alibaba's constituted of foreign venture capital, discussion of effect of foreign venture capital to innovation development, which confirms that innovation activities of enterprises need the support of foreign venture capital. Through the study of foreign investment, control and effective use of foreign investment, it promotes the innovation and development of Alibaba.

4.1 The Four Stages of High-tech Enterprises in China – A Case of Alibaba

According to statistics, in Chinese Internet industries, more than half of the enterprises have already got the help of venture capital in the process of development. Venture capital will help potential innovative enterprises to achieve their business model and profit models, quickly occupying the market shares to make a profit. Alibaba group founded by Jack Ma is a typical e-commerce enterprise representative, which depended on VC and completed three rounds of financing to be listed successfully.

As it has been mentioned in Chapter 2, the normal four stages of high-tech enterprises have been stated clearly. Here, take Alibaba as a case.

4.1.1 Seed Stage of Alibaba

In March 1999, Jack Ma and his team founded Alibaba website with registered capital of 500,000 yuan in Hangzhou, which aimed at the development of e-commerce between enterprises (B2B, or business to business), in order to serve for network transaction of global SME. This kind of model once caught the attention of the Internet community, known as "the fourth mode of the Internet". But after soon, Alibaba fell in the funding dilemma. It supported to be held in 10 months with 500000 yuan, but actually it was only 8 months, then the rupture of capital chain dragged them into this mess. At this time, only bringing in foreign venture capital investment, Alibaba's pressing problems can be resolved. Then, Joseph, one of Alibaba's 18 founders, persuaded Goldman Sachs, Fidelity Investments Group and other financial institutions to invest a total of $ 5 million "Angel Fund", and this first round of funding Alibaba temporarily solved the shortage of funds problem of Alibaba.

4.1.2 Start-up Stage of Alibaba

The autumn of 1999, Alibaba completed a second round of financing from Japan SOFTBANK Group's $ 20 million, but MA-led management team was still in a holding position. In support of external venture capital, Alibaba showed a rapid growth trend. To May 2003, Alibaba website had attracted more than 2 million members registered businessmen from more than 220 countries and regions and provided more than 1.5 million information of business supply and demand to companies and businesses around the world every day. Then, Alibaba became the largest and most active online market and business community in the field of international trade.

4.1.3 Growing Stage of Alibaba

In 2002, Alibaba B2B business achieved profit successfully, which gave hopes of future earnings to venture capitalists. Taking advantage of the development, Alibaba, successfully, took a third round of funding--Japan Asia investment company gave capital injection $ 5 million as well as $ 82 million strategic investments from the SOFTBANK Group, Fidelity Investments Group, Granite Global Venture, and TDF Venture Capital Inc. In the few years, Alibaba B2B business profits had been kept the growth rate more than double per year. In 2004, Alibaba's revenues amounted achieved US $ 68 million. In 2005, Alibaba's pre-tax profit amounted achieved 103.4 million yuan, up 2.63 times of 28.5 million yuan over the same period in 2004.

4.1.4 Mature Stage of Alibaba

In 2005, Yahoo gained 174 million shares of Alibaba Group by giving US $ 70 million in cash, 360 million Taobao share and all Yahoo China's business. So Alibaba successfully acquired Yahoo China. Meanwhile, due to Yahoo bought 4.5 million Taobao shares from SOFTBANK Group at a price of $ 600 million, the SOFTBANK Group completed cash out. In this deal, venture capital firm started in the early stage of Alibaba quitted and got cash out, and part of shares of Alibaba employees also cashed out. Alibaba won Yahoo's US $ 70 million of direct investment and SOFTBANK US $ 180 million of convertible bond fund, again obtaining financing. In 2007, Alibaba successfully listed in IPO, they only sold its 17% shares, but it attracted US $ 150 billion from institutional investors, and attracted to 453 billion Hong Kong dollars of capital from private investors.

Alibaba listed successfully, which laid a stable capital base in the layout of its future expansion. Throughout the three rounds of financing of Alibaba, SOFTBANK Group occupies an important position. Softbank not only invest money to Alibaba, but also actively help to attract local small and medium enterprises joined the Alibaba’s system by its Japan's huge influence. Alibaba also lived up to expectations. SOFTBANK invested US $ 80 million, and rate of return was up to 71 times. It can be seen that if the development of high-tech enterprises was successful, venture capital will be a win-win approach, with considerable profit.

4.2 The Reason of SOFTBANK Invested in Alibaba

Not all the enterprises can get venture investments, and not all venture capitalists settle on Alibaba. There must be some reasons attract SOFTBANK to accompany with Alibaba all the way through ups and downs. Not only Alibaba’s success is a legend, but the founder of SOFTBANK also is a legend in investment community.

4.2.1 The Founder of SOFTBANK

On September 19 in local time of United States, the Alibaba group listed on the New York Stock Exchange in the United States, it was up 38% on the first day, closing market value at

US $ 231.44 billion. In Alibaba's IPO, in addition to Jack Ma, Alibaba executives and employees, its largest shareholder Japan SOFTBANK Group was more profitable, even it made SOFTBANK founder Masayoshi Son become Japan's richest man. Investing in Alibaba gains 2,500 times profits, which promoted him being Japan's richest man. The SOFTBANK founder Masayoshi Son, has been regarded as “Japanese the Buffett and Gates". Because he not only focused on IT and other high-tech industries, but also was very well versed in investment. Rate of return on investment is as high as 7,100%, even the Buffett and Gates is dwarfed by the fine.

4.2.2 Rate of Return up to 7100% on Investment in Alibaba

14 years ago, Masayoshi Son’s SOFTBANK cast a 20 million-dollar bet in the then little-known company Alibaba. Later he invested US $ 60 million. So SOFTBANK invested both $ 80 million in twice. After then, the equity of SOFTBANK accounted 34.4% of all also soared to an estimated US $ 58 billion, and rate of return on investment is 7,100%, which is also very amazing in the global investment community. Sir, Ka-shing Li, Chinese business leader known as Superman would not have such a high return on investment. This is a commercial miracle. When people marvel at the miracle of the moment, they need to reflect on why this miracle happened. If there will be another similar miracle in the future, or not.

4.2.3 The Important Factors to SOFTBANK

In internet companies, Jack Ma and his core team are the most valuable asset. Its absolute control of the discourse, is that Jack Ma will never give up, no matter how much the investment and which means of capital operation, since Alibaba inception. This is the key reason why Jack Ma’s team can get support from Joseph and attract SOFTBANK’s investment.

Alibaba's B2B business could get profitable firstly as the reason of trend-driven results. In the first background, after the exchange rate reform in 1994, China's foreign trade rose significantly. With the second background, after 1998, Internet technology had great developed, which was greatly reducing network costs. These two factors were the premises why B2B could get rapid development. Until now, more B2B also just stay in the function of information exchange, in the technology level, which is relative simple. In this kind of business, a lot of enterprises enable to release information in Alibaba website for abroad procurement. To this point, Alibaba seems like to be a marketing corporation instead of an Internet company. It achieved labor intensive work.

Observe the trend of B2B targets of 2000 when SOFTBANK invested Alibaba. In addition to the period of the April 10 to July 31, when B2B targets were less than the NASDAQ composite index, other trends of B2B were better than the composite of all times. From 1999 to July 2000, B2B index rose by 71.9%, higher than the composite by 31.7%. Even in the slump of NASDAQ index in March 10 to April 14, the B2B index was only down by 21.7%, below the composite index to 12%. While the shares of enterprises who adopted a mode of B2B even fell down less. But the shares of web sites that provide a platform for B2B transactions services declined around 70%. It indicated the reason of selling is that there were fear of the site's future profitability and insufficient cash flow, rather than the negation of entire market to B2B concept. In the subsequent rebound of market adjustments, the increasing amount of website corporations were mostly over such other enterprises index and composite indexes, where the amount of index of Ariba rose as high as 86.25%. Because the market had positive prospect to B2B companies of future, which were reflecting that the markets varied different attitudes for both B2C and B2B companies. This just confirmed the Softbank's positive prospects to Alibaba's development.

Actually this mode could be copied. With the time went on, this mode actually was harder unsustainable. The reason is that the opportunities of foreign trade were increasingly less, large early suppliers had formed stable customer groups, and new procurement opportunities were increasingly less, while the feedback of new released information also increasingly reduced. It is inevitable and irreversible trend that foreign trade would have unsustainable significant growth.

But from the beginning, in the big background of B2B, achieving leap-forward development is the base of Alibaba to develop until now. No matter how much criticism are there about whether Alibaba adopted good policies or bad policies in B2B development, B2B is Alibaba's starting point. Meanwhile, Alibaba's B2B development concepts have been recognized by SOFTBANK. In the background of 2000, SOFTBANK saw the development of the B2B market and Alibaba's.

4.3 Alibaba's Growth Strategy with a High Degree of Consistency with Investors

Today, to Alibaba's success, people marvel at Alibaba's great success. In fact, from the perspective of an entrepreneur, Alibaba's success is full of chances, which is highly risky, even dangerous. If there were any problems in Alibaba growth, perhaps there would not be today's Alibaba. Because Alibaba is as a new economic form of the Internet economy, it had considerable uncertainty, even traps in 2000, not like today. In 90’s of 20th century, China set off a hot of enterprise information, which was ERP hot. There were investments with trillions of Yuan, but the failed rate was up to 80% even 90%, which was the first times information wave of Chinese business, also was the first investment at the moments of global information times. In this crazy wave of investment, Jack Ma, founder of Alibaba also mired in wave, eventually he was defeated in Beijing, back to home Hangzhou. He took a bunch of buddies, known as 18 Arhats. They established Alibaba in Jack’s house, attempting to make a comeback.

For Alibaba, SOFTBANK is not the first venture company, but it holds out to the last one. In October 1999, Jack Ma got first angel investment of $ 5 million, led by Goldman Sachs, with joint of the United States, Asia, Europe's leading fund managers, such as Transpac Capital Investor AB of Swede Technology Development Fund of Singapore's participation. In the second round of Alibaba’s financing, SOFTBANK began to appear. Since then, these big players continued to support Jack Ma, which make Alibaba can play the game until today. Softbank not only invest money in Alibaba, but also gave sufficient supports to Alibaba in the subsequent development. There are many ups and downs in this way, especially in the Internet through period of 2001 to 2003. But SOFEBANK investors accompanied Alibaba’s the whole team all the way to survive, it was very hard to come by.

Some venture capitalists clearly missed the best period of the harvest. From the beginning in the third round of the Alibaba Group, some venture capitalists who invested in the earlier stage started to cash out. In 1999, Goldman Sachs Group, angel investors of the beginning of Alibaba, decided the adjustment in strategic, so they pulled out of Chinese venture capital market. Its shares were taken over by Singapore's Granite Global Ventures (GGV). In fact, Thomas, the founder of Granite Global Ventures (GGV), had invested in Alibaba in his personal capacity as early as 1999. In 2005, Yahoo staked in Alibaba, and lots of venture capitalists began to exit. At that time, Yahoo took $ 1 billion in cash, all Yahoo China operations, access to Yahoo's brand and technology in China, in exchange for 40% shares of Alibaba group and 35% the right to vote.

Venture capitalists, including Fidelity, have been cashing out. Before Alibaba listed, SOFTBANK, the only VC, has been firmly occupy the major stake in Alibaba, and all the other VC exited (exiting price was not known). SOFTBANK and Yahoo has enough capital to play along. It may be the main reason why Jack Ma finally left them.

Talk about the *investment strategies*, it has been mentioned in Chapter 2.5. In the case of investors to invest in Alibaba, it is apparently in conjunction with joint investments, segmented investments. Segmented investments are reflected in total three rounds of financing before Alibaba in listed. Joint investments are reflected in the first round and the third round of financing before Alibaba in listed, where are more investors with investment together, In the first round, there are 4 investors with investments, such as Goldman Sachs, Fidelity Investment Group, and Singapore Government Technology Development Fund. In the third round, there are SOFTBANK, Fidelity Investment Group, IDF, and Yahoo with joint for investment (In the second round there are only SOFTBANK).

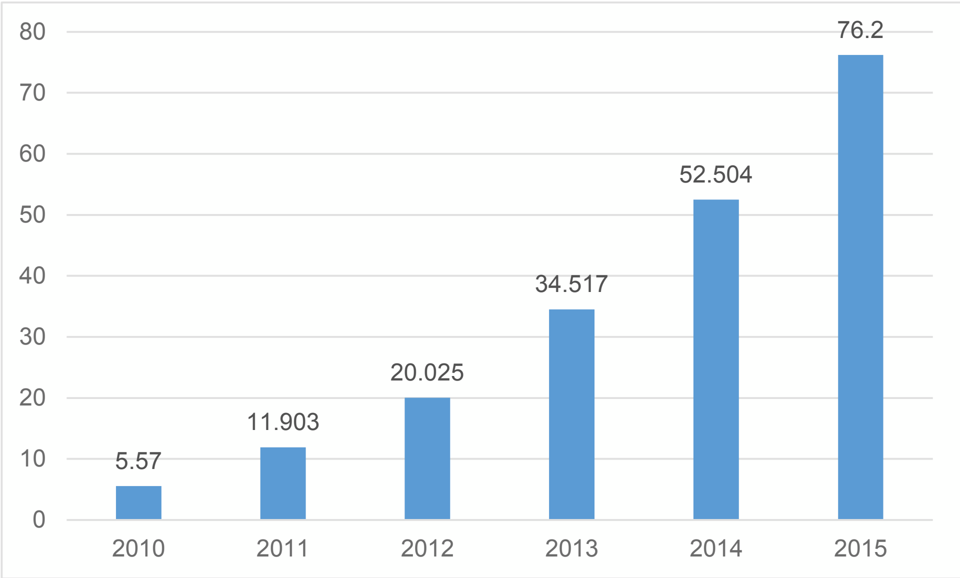
4.4 Financial Situation after Alibaba's Listing

After Alibaba listed, its stock opening price was $ 92.8 in the first day, increased by 35.9% of issue price. According to the closing price at $ 94, Alibaba's market value reached $ 230 billion. It was promoted to the second of top of global largest internet company beyond Google, and Jack Ma became the richest man in China. It was 2014 when Alibaba had largest harvest.

Whether in business income or in net profit, there were obviously improving, as shown in Chart 4.1 and Chart 4.2.

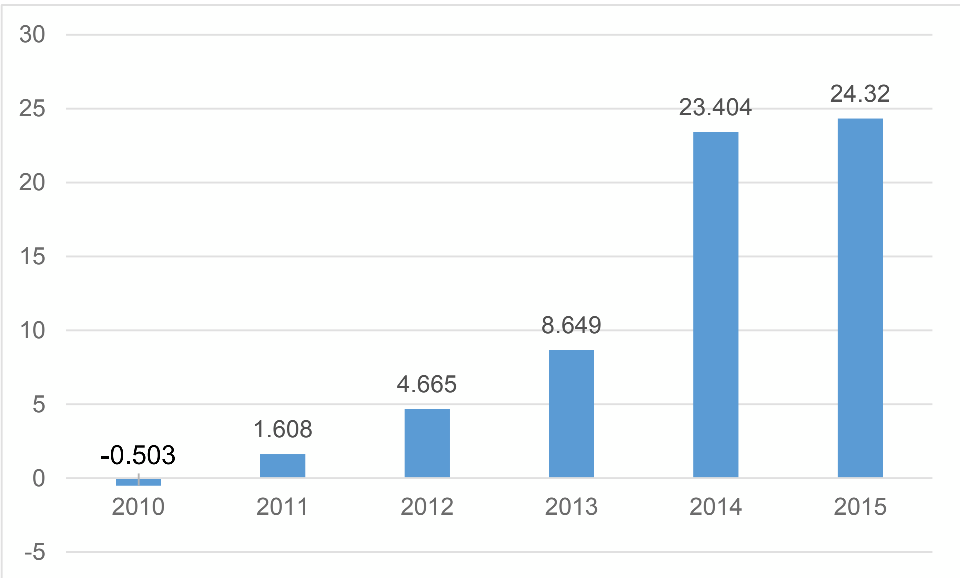
As it shows in Chart 4.1, there was a gradual increase in total revenue during 2010 to 2015. Since 2010, Alibaba's annual business income and net profit saw an upward trend, the business income of 2014 reached 52.5 billion yuan, increasing by 52% than the last year. However, it can be found that Alibaba's listing brought high economic benefit to enterprise, and it was really obvious in 2015 as high as 76.2 billion, increasing by 46% compared with the number of 2014.

Chart 4.1 Total Revenue (RMB, billion, year ended March 31)



Source: http://www.alibabagroup.com/cn/global/home

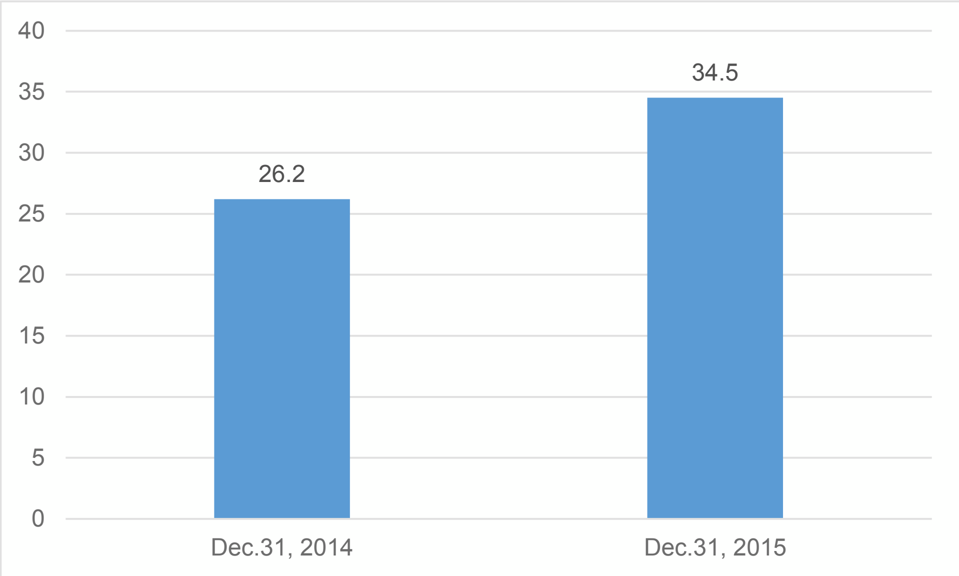
Chart 4.2 Net Income (RMB, billion, year ended March 31)



Source: http://www.alibabagroup.com/cn/global/home

In Chart 4.2 of net income, there was a negative number in 2010 as -0.503, which meant Alibaba loss money in 2010. But after that year, there was a sharp increasing tendency of net income from 1.608 billion RMB in 2011 to 23.404 billion RMB in 2014, increasing by 1355% than the amount in 2011. Especially in the period between 2013 and 2014, it was nearly triple. However, in the period of 2014 to 2015, it seems to be in a period of stability.

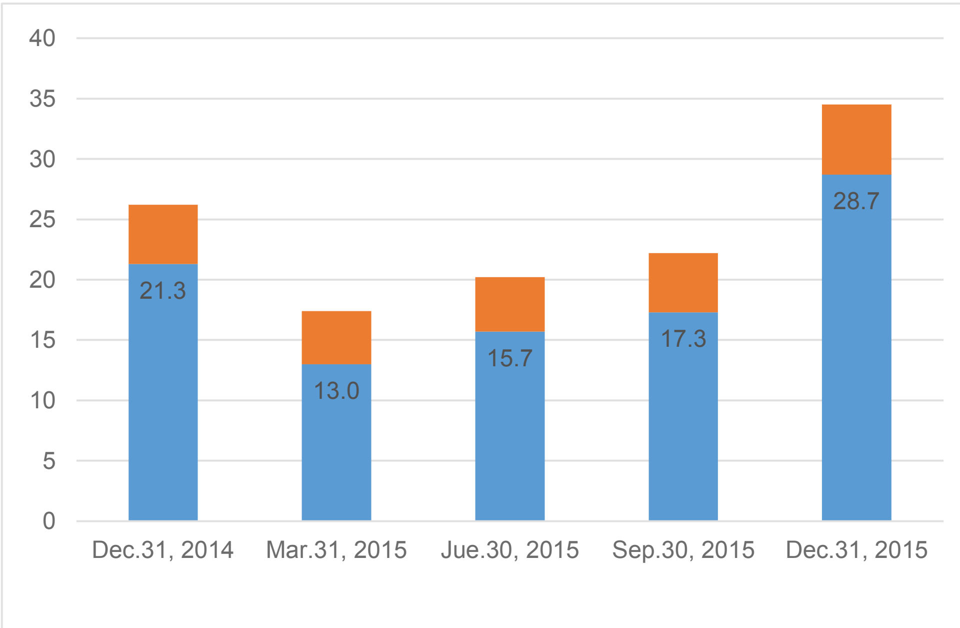
Chart 4.3 Revenue Growth (RMB, billion, year ended March 31)



Source: http://www.alibabagroup.com/cn/global/home

At the end of December 2015, Alibaba had strong growth in both revenues and earnings. During this period, the revenue was $ 34.543 billion yuan, up by 32% from the same period in 2014 in Chart 4.3, which was driven mainly by the strong growth of China's retail business.

Chart 4.4 Total Revenue (RMB, billion)

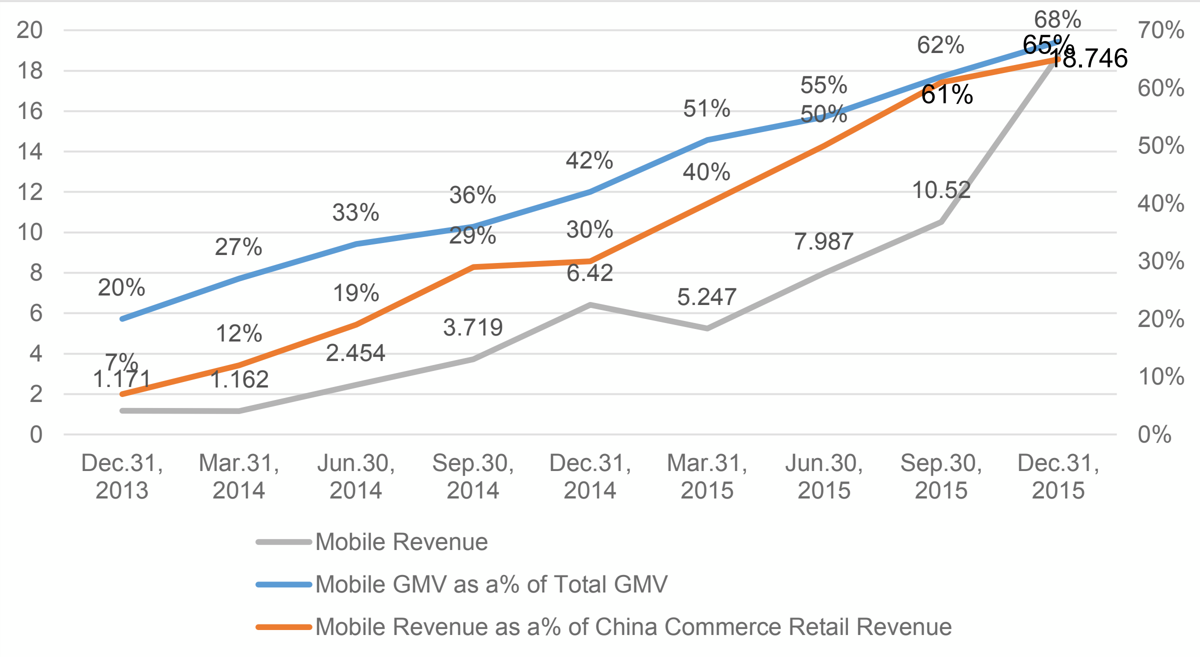


Source: http://www.alibabagroup.com/cn/global/home

From Chart 4.4, it showed some fluctuation in different quarter. There was a significant drop between December Quarter 2014 and March Quarter 2015. However, there was a steadily increasing tendency of both total revenues and commerce retail revenue. Meanwhile, the total revenue kept consisting over 75% of the China commerce retail revenue.

In December Quarter 2015, the income from China retail platform was 28.714 billion yuan, up by 35% from 2014.

Chart 4.5 Quarterly Penetration of Mobile Revenue and Mobile GMV, and Mobile Revenue (China Commerce Retail) (% of Revenue)



Source: http://www.alibabagroup.com/cn/global/home

There were steadily increasing tendency in mobile revenue, mobile GMV as a% of Total GMV and mobile revenue as a% of China commerce retail revenue. However, the Mobile revenue reached 18.746 billion yuan, highly increasing by 192%. Furthermore, the Mobile retail occupied 65% in all China's retail business.

Following non-United States GAAP calculations, profit was 16.358 billion after adjusted, with an increase of 25%. And the diluted earnings per share was 6.43 yuan after adjusted. So the free cash flow was 23.719 billion yuan in this period.

GAAP to Non-GAAP Reconciliation

RMB MM	For the Three Months Ended Dec 31, 2014	Sep 30, 2015	Dec 31, 2015
Non-GAAP EBITDA			
Income from operations	9,347	6,395	12,434
Add: Share based compensation expense	4,313	3,164	4,370
Add: Amortization of intangible assets	614	728	813
Add: Depreciation and amortization of property and equipment and land use rights	654	859	1,039
Add: Impairment of goodwill	175	-	455
Non-GAAP EBITDA	**15,103**	**11,146**	**19,111**
Non-GAAP net income			
Net income	5,983	22,703	12,456
Add: Share based compensation expense	4,313	3,164	4,370
Add: Amortization of intangible assets	614	728	813
Add: Impairment of goodwill and investments	1,032	645	1,611
Add: Gain on deemed disposals /disposals/revaluation of investments	241	(18,054)	(2,959)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	66	66	67
Add: Expenses relating to the sale of shares by existing shareholders in IPO	36	-	-
Add: One-time charge for financing-related fees as a result of early repayment of bank borrowings	830	-	-
Non-GAAP net income	**13,115**	**9,252**	**16,358**
Free cash flow			
Net cash provided by operating activities	19,408	15,124	26,230
Less: Purchase of property, equipment and intangible assets (excluding land use rights and construction in progress)	(1,222)	(1,260)	(2,365)
Add: Changes in loan receivables, net and others	4,738	(240)	(146)
Free cash flow	**22,924**	**13,624**	**23,719**

Source: http://www.alibabagroup.com/cn/global/home

On April 26, 2016, Tmall platform, belonged to Alibaba, announced to establish "Office for helping businesses listed". It means that Alibaba will build bridges between businesses on Tmall platform and securities firms, exchanges and other listing or upcoming business enterprises. According to incomplete statistics, there has been more than 50 companies starting IPO plan, and several brokerages are fighting to get underwriting of the business listed.

From this news, it can be noticed that there are forming a virtuous circle of investment. The fund which Alibaba got from foreign investment will be used into next investment.

5 The Importance of Foreign Investors to Chinese Market

From the case of Alibaba, it should be noticed that thanks to SOFTBANK's investment, Alibaba could have achieved such great success. Nowadays, an increasing number of enterprises realize the importance of attracting foreign investors. In the last part, there are some discussions about the importance of foreign investors to China, advantages and disadvantages, and some important factors in a successful venture investment.

5.1 Importance of Foreign Investors — from Alibaba's Case

In recent years, the global financial crisis made a great impact to some developed countries. Objectively, it created a rare opportunity for start-up companies of high-tech business in emerging economies. In this context, the internationalization of Chinese enterprises has made positive progress. Alibaba is a good example, with combination of foreign investment and its own technical capabilities. But overall, the growth of China's high-tech business is just starting out, most businesses still lack adequate management capacity and experience, and need the support of foreign investors. The system and policy environment of the common development of domestic and foreign investors is far from perfect. Therefore, the further deep-going understanding and recognition of the importance of foreign investment to China, establishing and perfecting the related policy and service system are of significance.

Firstly, *from China's national conditions*, China has entered a stage of economic development of developing high-tech industries, but the international relative strength of Chinese enterprises still lag behind the world's major emerging economies, with a larger space for development in the future.

In 80s of the 20th century, one of the main characteristics of rapid development of globalization is that the international direct investment is growing quickly. Because of developed country strong capital and technological advantages, they play an important role in outputting investment, which are forming a large number of investors. By comparison the developing countries are relatively limited in outputting investments. But with the level of their economic development constantly improved, the capacities of nurturing high-tech enterprises are also increased. According to international experience, after developing countries be in the middle stage, where the Per Capita GDP is over US $3000, foreign investments will be more significantly in the domestic. China is a developing country, in 2015, the Per Capita GDP exceeded $8000, although lower than developed countries and Korea, Brazil and other major emerging economies, but higher than India, and Thailand and other countries, have entered a stage of development of enterprises going.

Secondly, *from development trends*, in the high-tech industry, attracting foreign investment plays an increasingly important role.

With the rise of the knowledge economy, knowledge and technology are increasing important to economic growth, developing high-tech technology industry with the core of information technology has become a consensus of all countries in the world. Foreign investors may regard these enterprises as important targets, and they may invest these enterprises at the right time, which promotes the development of both sides. In the case of Alibaba, Jack MA got a historic success, but SOFTBANK was the biggest gainers behind this victory.

Meanwhile, foreign investment spread into China. Not only can it help domestic enterprises to learn management methods, concepts from foreign investors, but also it could improve the asset quality of high-tech industry in China. Low-quality assets can be turned into high-quality assets, thereby the quality of China's high-tech industry is significantly improved.

Thirdly, foreign direct investment can enhance its profile overseas domestic enterprises.

Alibaba's case demonstrates that the foreign-investors play an important role in promoting companies to *enter the international stage*. By establishing cooperation with foreign investors, joint ventures and other methods, domestic enterprises elevate their international market development and global configuration, such as capital, technology, personnel and other factors of production in the global configuration. This not only improves their ability, but also further strengthens its popularity overseas, establishing a good image. It enables them to attract more foreign investors in the next round of financing, creating a virtuous circle of development.

5.2 Influence of Foreign Investments in Chinese Market

In 2002, China had exceeded the US and become the country introduced the largest amount of foreign capital in the world, this fact verified that China has unique charm to attract foreign investors. The introduction of foreign investment has brought China lots of opportunities for development while it also caused some problems need to be faced up.

5.2.1 Advantages of Foreign Investment to Chinese Economic Development

Overall, it saw that foreign investors not only brought capital to China, but also created more opportunities to Chinese market, such as employment opportunities, technological guidance and development of new industry. There are such three advantages in the following.

a) Temporary Slowing down in Domestic Employment Conflict

Compared with the western country, China, with a large population, has a quiet lower average price of labor force. Therefore, when the world famous enterprises establish their foreign branches, they would often take account of the status of Chinese low-price labor force in their own company's expansion project. The enterprise which rely more on labor force would tend to set up factories in China and use Chinese cheap labor force to cut down the cost. Meanwhile, foreign investors investing directly in manufacturing also brings China with benefits —ensuring social stability by creating more domestic jobs, solving re-employment problem timely for some unemployed people and easing the chaos caused by heavy burden of unemployment.

b) The Effect of “Technological Spillovers”

Technological spillovers refer to the direct investment in byproduct of host country's production and operation activities created by foreign investors, including craft spillover, human resources flow, etc. Technological spillovers were determined by special properties of product itself which is similar to public product —noncompetitive and exclusiveness of diversification. With the rapid progress of science and technology, utilizing the technological spillovers invested directly by foreign investors to improve technical level of domestic companies has become a development tendency for many developing countries and also one of the significant evidences of Chinese "Getting Technology by Market" strategy. Whether the effect of technological spillovers would come into being mainly depends on the following two aspects: The first is investment model of transnational corporation. The second is learning and innovation ability of host country. Vertical investment refers to foreign investors arranging production procedure reasonably in different countries by using the principle of comparative advantage, it is the predominate way for technological spillovers. In the production chain dominated by vertical investment, the introduction of intermediate product will rise. The national enterprises, through constantly learning and exploring, getting to know the competition principle, strengthening the innovation power, putting the positive effect of the intermediate products into wildly using and spreading, promoting the accomplishment of final products, and extending the export of manufactured products, to narrow the gap between itself and foreign country, and gradually contend against with them. This is what called the effect of "learning by doing".

c) The Rapid Progress of Emerging Industry

In the process of Chinese economy integrating into global market, the development project and plan brought by foreign investment promote the growing up of Chinese emerging industry and also provide great opportunity for its development. Emerging industry, mainly refers to high and new technology industry and modern service industry, is in rapid development in Yangtze river delta and pearl river delta which are two areas quite favoured by foreign investors. In recent years, the innovation of financial field stands out.

Financial engineering is the representative of emerging products. After accession to WTO, China has fulfilled the promise of opening Chinese market gradually, with the entering of lots of foreign banks, many of them brought about new financial ideas and products, they provide more convenient service to domestic inhabitant, and also occupied partial market share. To avoid being eliminated in fierce business competition, peer enterprises in our country began to introduce and self-produce emerging financial products, and made contribution to spring up and development of financial engineering. Meanwhile, the proportion of new projects developed by Chinese-foreign joint venture has increased. This pattern provides a platform for frequent communication between Chinese staff and foreign technicist, more opportunities for learning and competition, and further accelerate the occurrence of spillovers effect.

5.2.2 Disadvantages of Foreign Investment to Chinese Economic Development

It is also true that there are some disadvantages brought by foreign investment. For example, domestic resources are seriously wasted, and the mode of economic development occurs error. However, there excites a vicious circle named “Prosperous but not rich".

a) Serious Waste of Domestic Resources and Imbalance of Ecological

Chinese abundant natural resources is a significant factor for attracting foreign investors. However, China has not formed the final perfect product market as what it had wished before. Because most of vertical foreign investments is processing import material, trade in China turns into form of processing trade. In other words, production line in China is just chain of processing. Foreign countries consume Chinese natural resources to carry on production and development without limit, while the final products can be put into sale in Chinese broad consumer market. It can be called killing two birds with one stone for foreign countries, because not only the *waste of resources and pollution of environment* of their own countries in the production can be avoided, but also high profit jumps into their pocket. Nevertheless, for China, what we called development is exchanged in cost of sacrificing large-scale environment. It is development serves for foreign countries, even the most negative one. Moreover, with the effect of outflow which refers to foreign investors directly investing in and supporting a large amount of exports, constantly increasing in export trade and resources in form of objects existing in import country, not only cut down the opportunities for Chinese citizen and enterprises of using resources, but also provide convenience for import country 's development, causes the waste of environment and threat of competition in economic development as well.

b) Occurrence of Deviation in Economic Development Mode

In the 1980s or 1990s, some Latin American countries has stepped in open route dominated by foreign investment, they relied on utilizing cheap labor force and providing preferential policy to attract large amount of foreign investment. But this mode caused the out of control of foreign capital scale, imbalance between inflow and outflow of capital, and excessive reliance on foreign capital.

Introduction of foreign capital undoubtedly contributed to the increase in GDP of Latin American countries within a short period. But the recession and turbulence, even depression forever, occurred in Latin American countries as soon as the global industrial direction began to change, transnational company withdrew foreign capital one after another and turned to invest other countries. But Latin-Americanization phenomenon which sacrifices its own country's economy to achieve rapid development in a short term rather than permanent, is not unique to only Latin American countries. For Chinese enterprises, because of reliance on foreign investors providing technology, poor ability in self-innovation and passive role, is weak in supporting capacity of high-tech product export. Therefore, in the situation of inconspicuous technological spillovers and heavily relying on foreign capital, two opposite attitude appeared in China, “Foreign Investment Worship” and "Domestic Investment discrimination". Let's take Guangdong province as an example, in one hand, the development of foreign-investment area promotes growth in GDP, In the other hand, it is difficult for domestic capital dominant area to share the profit produced by GDP growth. In addition, because lack of standardization on supervision of foreign capital introduction, many illegal foreign businessmen seriously impact Chinese economic normal development by speculation under camouflage of investment. Especially in recent years, the atmosphere that many foreign countries forecast RMB will be higher is getting more and more intensive. Massive funds flow into China, including large amount of “Hot Money”. These floating money would be withdrawn by foreign investors at once they gain high profit by appreciation of RMB and does damage to Chinese economy, not only the reduction of profit, but also the acceleration of instability. This biased mode will lead to lopsided economic development.

c) Vicious Circle of “Prosperous but not Rich"

Recently, China has always in rapid development and prosperous economic situation. Therefore, China, which still keeps fast growing development of economy in the overall situation of worldwide economic recession, is called the creator of legend.

While part of contribution should owe to promotion on economic growth created by foreign investor's direct investment. Foreign capital brings about economic prosperity, but the development of Chinese GNI is not in the synchronous development of GDP. That is to say, with a comparatively high level of GDP, the income of citizen has not reach the same level of GDP growth yet. This is a "Vicious Circle" of Chinese economic development. Why this phenomenon would occur? At the first, we should know that the social fortune created by foreign-owned enterprise's long-term operation and development is included in account of GDP. While the GDP of China relies on foreign capital to a large extent to reach such a comparative high level. Good business performance created by foreign-owned enterprises pulls GDP growth, meanwhile the massive profit produced in development is also occupied by foreign investors. It's no doubt that GNI cannot reach the same growth speed as GDP has. When GNI is less than the fortune created by economic development, the vicious phenomenon which refers to prosperous in the whole country but unprosperous in citizens would occur.

5.3 The Most Important Factors to Venture Investment

It has been analyzed why SOFTBANK choose Alibaba to invest in Chapter 4.2. Among all successful venture cases, there would be some common factors to support them achieving great performance.

5.3.1 Finding Projects with the Investment Value

Venture capital is one of the cornerstones to create United States Silicon Valley miracles, and mode of operation of the VC are already in operation around the world, many countries, including China, the rapid development of the Internet industries benefited from this investment.

Whether VCs can be obtained is very important for start-up companies, which is a guarantee of ensuring the normal operation and rapid development of the company, also is the company's business sign of recognition.

Mark Anderson in the early got investments of $ 4 million from the venture capitalist Jim

Clark, and this helped Netscape rise rapidly. Yahoo's success also owed much to investments of Sequoia’s partner Maike· Molici. Sequoia is one of Silicon Valley's most famous venture capital fund, who invested in hundreds of high-tech companies, including Apple, Oracle and Cisco.

How to get the most profits forever is the target of capitalists, venture capital is even more so. So not every company can get capital favor, the following five aspects are an important criterion of Silicon Valley investors for evaluating investment objects. Of course, different investors will have slightly different emphases.

5.3.2 CEO

For a company, CEO is the key. He is more like to be an important sector, not only as a member of company. CEO grasp decision of company major things, which directly effect with development of company. His/her personal values and work style will also effect subtle of penetration to company, to influence on company concept and employees behavior. So for a company, CEO is important. Whether Apple has jobs, Apple company is completely different. As LOGO of Apple company as, it is never a whole Apple. Jobs is the missing piece, Apple and Steve Jobs are a whole Apple.

5.3.3 Business Model

Before the Internet bubble burst, investors hardly looked at the business model. As long as the business is Internet-based, investor will invest. But that era is over, each enterprise needs to know clearly about its business model. How to make more money step by step should have a very clear plan, and it can give investors a clear understanding of these plans. Because venture capital is becoming more and more cautious and they tend to reduce the single company's investment. Valuations of many startups are on the decline, it can be reflected in data that Silicon Valley venture capitalists have invested only about $ 2.6 billion in the second quarter, which created its lowest since 2009.

5.3.4 Team

Start-up companies need to have a mature team, and this team must have their capabilities and have a strong enterprise in aspects of products, technology, marketing, business development and human. Of course, most start-up companies are unlikely to have professional talent person in all the field at an early stage. However, they must have strength in products and technologies. If the company want to be successful, it is best to have a strong team made up of talent in all core areas.

5.3.5 Technology

Although the technology is an important part of the company, but technology alone will not make the company a success. A good technical team does create advantage for the company in initial competitive, helps companies succeed at an early stage. In the company's development process, the technical team can also provide better technology, to create a powerful product for companies, which forms the company a distinct competitive advantage. However, it is necessary to be realized that, technology is only part of the company, only at the executive level. So it can be found that a lot of technical experts can write an amazing program, but no one of them can create a company (Except Lei Jun, who creates XiaoMi as one of the most famous scientific and technology company). For start-up companies, there are many other more important factors, as it has been said before.

5.3.6 Product Ideas/Concepts

In venture company, a great of products creative does not mean having all of all, because there are no venture company can get success by initially creative. The reasons of constantly changing and adjustment of products direction/concept are too many: user feedback, and commercial mode, and market competition pattern and so on. Team/CEO need constantly to improve and innovate initially products creative, and constantly meet new market needs, which can make a products successful. A successful product is constantly changed. In the competitive industries, especially in the Internet industry, no static product can great success.

Also, entrepreneurs need to have full of psychological prepared. In investment decision process of venture capital, there may exists large of "suspected" and "concerns". If concerns of investors are short-term, entrepreneurs don't need to worry, even cannot give up. As long as a company has a right long-term direction, and CEO of company, team, and commercial mode are worth praised of, investors in long-term will see a big picture, so he will invest money to this company. To any venture company, good long term investors are an important factor to success.

As the economies with potential and productive of economic growth, China has a stable political and economic environment. Nowadays, in the international community with continuing conflicts and decline, China has a very strong attraction to foreign investment. After joining the WTO in 2001, the degree of China's opening was more up. As well as the optimization of the investment environment and the improvement of standard, China has become more attractive to international investment. As it can be seen, using foreign capital objectively accelerated China's macroeconomic institution-building, and economic structural took adjustment with standardization of environmental of policy laws.

Meanwhile, introducing foreign investment brought pressure to domestic competition from foreigners, which were forcing domestic firms to improve their level of technology, management and so on. So it enhanced the international competitiveness of domestic enterprises, which is significant to the Chinese economy into the world. In turn, due to these changes, China's investment environment was improved, and gradually went into line with international practices, which would benefit attracting more and better foreign investment in China.

Obviously, this is positive interaction in a realistic sense. Facing with the situation of economic globalization and China's accession to the WTO, China should actively adjust the opening strategy of using foreign capital, and build a better investment environment for foreign-invested enterprises in order to attract higher-quality foreign. It will promote a new round of economic growth in China.

6 Conclusion

From above analysis, we can see that there is a positive situation for foreign investment in China. It is no exaggeration to say that this is the only way which must be passed to become international.

The objection of this thesis was to assess the opportunities of foreign investors on China market. At the beginning, this paper stated the basic concepts and general features on foreign investment and venture investment. Then the next were the current situations which had been analyzed from the development stages, the investment structures, reason of investing in China, special policies published by government, and venture investment. In the case part, I took Alibaba as the typical successful venture case to assess the influence of foreign investment which leading to a long-term achievement. After all, it revealed the importance and impacts of foreign investment to Chinese market, where there were not only advantages to employment opportunities, technological guidance and development of new industry, and disadvantages to wasting resources, imbalance of ecological that we could not ignore.

After the study, we can draw the conclusion that foreign investors make a positive contribution to the economic growth in China. So at the end of this paper, you will get a deeper comprehending of the situations and opportunities for foreign investors in China. In the future, how to use foreign direct investment in China will directly affect its speed and direction of attracting foreign capitals, as well as affecting the implementation of China's economic development strategy and status in the international economic situation in the future.

However, it should be highlight that giving more privilege policies would be a more effective strategy for attracting foreign investment. The more points of view and various background we have in finance and politics, the healthier our system and society will be.

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[3] http://www.ezcap.cn/

List of Abbreviations

FICLS: Foreign Investment Company Limited by Shares

BOT: Build-Operate-Transfer

VC: Venture Capital

OECD: Organization for Economic Co-operation and Development

Co., Ltd: Company Limited

SME: Small and Medium Enterprise

IPO: Initial Public Offerings

FDI: Foreign Direct Investment

CPC: Communist Party of China

US: United States

EU: European Union

R&D: Research and Development

WTO: World Trade Organization

UNCTAD: United Nations Conference on Trade and Development

GND: Gross National Product

GEM: Growth Enterprise Market

P2P: Point to Point

PC: Personal Computer

IT: Information Technology

B2B: Business to Business

ERP: Enterprise Resource Planning

GGV: Granite Global Ventures

GAAP: Generally Accepted Accounting Principles

GMV: Gross Merchandises Volume

GDP: Gross Domestic Product

GNI: Gross National Income

CEO: Chief Executive Office

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Ostrava dated ......05. 05. 2016........

........RAN YAN........

Student's name and surname

List of Annexes

Annex 1 Alibaba Group Holding Limited (BABA) - NYSE

Annex 2 GDP (Nominal) Ranking

Annex 1 Alibaba Group Holding Limited (BABA) - NYSE

Date	Open	High	Low	Close	Avg Vol	Adj Close*
May 2, 2016	76.89	77.00	75.94	76.61	15,403,400	76.61
Apr 1, 2016	78.24	81.78	75.66	76.94	10,736,500	76.94
Mar 1, 2016	70.02	79.84	69.86	79.03	11,031,200	79.03
Feb 1, 2016	66.50	70.58	59.25	68.81	16,627,000	68.81
Jan 4, 2016	78.18	78.68	65.34	67.03	19,815,900	67.03
Dec 1, 2015	83.77	85.82	78.99	81.27	14,575,600	81.27
Nov 2, 2015	83.52	86.42	75.64	84.08	28,198,600	84.08
Oct 1, 2015	59.50	84.44	58.20	83.83	18,574,100	83.83
Sep 1, 2015	64.38	68.08	57.20	58.97	22,486,200	58.97
Aug 3, 2015	78.20	80.99	58.00	66.12	19,038,100	66.12
Jul 1, 2015	82.60	85.38	76.21	78.34	12,186,300	78.34
Jun 1, 2015	90.09	91.60	80.80	82.27	11,851,700	82.27
May 1, 2015	81.03	95.06	77.77	89.32	23,559,300	89.32
Apr 1, 2015	83.37	87.69	80.44	81.29	16,727,200	81.29
Mar 2, 2015	85.00	87.04	80.03	83.24	18,226,800	83.24
Feb 2, 2015	91.13	91.88	83.88	85.12	13,807,300	85.12
Jan 2, 2015	104.24	105.34	87.36	89.08	20,825,400	89.08
Dec 1, 2014	110.02	111.68	101.20	103.94	16,617,900	103.94
Nov 3, 2014	99.67	120.00	99.05	111.64	41,131,400	111.64
Oct 1, 2014	88.70	100.67	82.81	98.60	19,999,100	98.60
Sep19, 2014	92.70	99.70	86.62	88.85	66,339,200	88.85

Annex 2 GDP (Nominal) Ranking-1

Rank	Country	GDP (Nominal) (billions of $)					
		2015	% Share	diff	2020	% Share	Rank
1	United States	17968	24.44	-	22294	23.18	1
2	China	11385	15.49	6583	17100	17.78	2
3	Japan	4116	5.6	7269	4747	4.93	3
4	Germany	3371	4.59	745	4005	4.16	4
5	United Kingdom	2865	3.9	506	3852	4	5
6	France	2423	3.3	442	2940	3.06	7
7	India	2183	2.97	240	3444	3.58	6
8	Italy	1819	2.47	364	2144	2.23	8
9	Brazil	1800	2.45	19	2054	2.14	9
10	Canada	1573	2.14	227	1958	2.04	10
11	Korea	1393	1.89	180	1899	1.97	11
12	Australia	1241	1.69	152	1516	1.58	13
13	Russia	1236	1.68	5	1792	1.86	12
14	Spain	1221	1.66	14	1498	1.56	14
15	Mexico	1161	1.58	60	1496	1.55	15
16	Indonesia	873	1.19	289	1194	1.24	16
17	Netherlands	751	1.02	122	941	0.98	17
18	Turkey	722	0.98	29	906	0.94	18
19	Switzerland	677	0.92	45	771	0.8	20
20	Saudi Arabia	632	0.86	45	849	0.88	19
21	Argentina	579	0.79	53	634	0.66	23

22	Taiwan Province of China	519	0.71	60	651	0.68	22
23	Nigeria	493	0.67	26	595	0.62	24
24	Sweden	484	0.66	9	586	0.61	25
25	Poland	481	0.65	2	664	0.69	21
26	Belgium	459	0.62	23	556	0.58	26
27	Norway	398	0.54	61	471	0.49	31
28	Islamic Republic of Iran	397	0.54	1	555	0.58	27
29	Thailand	374	0.51	23	474	0.49	30
30	Austria	373	0.51	1	453	0.47	33
31	United Arab Emirates	339	0.46	34	469	0.49	32
32	South Africa	317	0.43	22	395	0.41	37
33	Malaysia	313	0.43	4	544	0.57	28
34	Hong Kong SAR	308	0.42	6	406	0.42	35
35	Philippines	299	0.41	8	507	0.53	29
36	Israel	299	0.41	0	339	0.35	39
37	Singapore	294	0.4	5	395	0.41	36
38	Denmark	291	0.4	3	370	0.38	38
39	Colombia	274	0.37	17	421	0.44	34
40	Pakistan	271	0.37	3	-	-	-
41	Chile	240	0.33	31	292	0.3	42
42	Finland	231	0.31	9	281	0.29	44

43	Ireland	227	0.31	3	296	0.31	41
44	Bangladesh	202	0.28	25	311	0.32	40
45	Vietnam	199	0.27	4	287	0.3	43
46	Portugal	198	0.27	1	237	0.25	47
47	Kazakhstan	195	0.27	3	269	0.28	45
48	Greece	193	0.26	2	235	0.24	48
49	Qatar	192	0.26	1	268	0.28	46
50	Czech Republic	182	0.25	10	207	0.22	49
-	World	73507			96193		

Annex 2 GDP (Nominal) Ranking-2

Rank	Country	Growth	GDP per capital (Nominal) ($)		Continent
			2015	Rank	
1	United States	2.57	55904	5	North America
2	China	6.81	8280	75	Asia
3	Japan	0.59	32481	25	Asia
4	Germany	1.51	41267	19	Europe
5	United Kingdom	2.52	44118	14	Europe
6	France	1.16	37728	21	Europe
7	India	7.26	1688	141	Asia
8	Italy	0.8	29847	27	Europe
9	Brazil	-3.03	8802	70	South America
10	Canada	1.04	43935	15	North America
11	Korea	2.66	27513	29	Asia
12	Australia	2.37	51642	7	Oceania
13	Russia	-3.83	8447	73	Europe
14	Spain	3.07	26327	30	Europe
15	Mexico	2.31	9592	64	North America
16	Indonesia	4.66	3416	118	Asia
17	Netherlands	1.8	44333	13	Europe
18	Turkey	3.04	9290	65	Asia
19	Switzerland	1	82178	2	Europe
20	Saudi Arabia	3.43	20139	38	Asia
21	Argentina	0.41	13428	53	South America

22	Taiwan Province of China	2.24	22083	33	Asia
23	Nigeria	3.96	2758	128	Africa
24	Sweden	2.75	48966	11	Europe
25	Poland	3.53	12662	55	Europe
26	Belgium	1.34	40456	20	Europe
27	Norway	0.87	76266	4	Europe
28	Islamic Republic of Iran	0.83	5048	94	Asia
29	Thailand	2.49	5426	91	Asia
30	Austria	0.77	43547	16	Europe
31	United Arab Emirates	3	35392	24	Asia
32	South Africa	1.4	5784	87	Africa
33	Malaysia	4.7	10073	63	Asia
34	Hong Kong SAR	2.52	42097	18	Asia
35	Philippines	6	2951	124	Asia
36	Israel	2.54	35702	23	Asia
37	Singapore	2.2	53224	6	Asia
38	Denmark	1.59	51424	8	Europe
39	Colombia	2.5	5687	88	South America
40	Pakistan	4.24	1427	146	Asia
41	Chile	2.27	13331	54	South America
42	Finland	0.4	42159	17	Europe
43	Ireland	4.85	48940	12	Europe
44	Bangladesh	6.51	1266	150	Asia

45	Vietnam	6.5	2171	132	Asia
46	Portugal	1.56	18984	39	Europe
47	Kazakhstan	1.5	11028	61	Asia
48	Greece	-2.27	17657	40	Europe
49	Qatar	4.7	78829	3	Asia
50	Czech Republic	3.91	17330	42	Europe